



PIXLEY-KA-SEME DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

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GENERAL INFORMATION

Members of the Council:

MT Kibi	Mayor
NL Hermans	Speaker
LJ Grobbelaar	Chairperson MPAC
UR Itumeleng	Mayorial Committee
GL Nkumbi	Mayorial Committee
TA Sintu	Mayorial Committee
NJ Batties	Member
ME Bitterbos	Member
SL Billie	Member
JH George	Member (resigned)
J Hoffman	Member
JEJ Hoorne	Member
SE Humphries	Member
CC Jantjies	Member
H Marais	Member
PJ McKlein	Member
AM Metebus	Member
SS Swartling	Member
LC van Niekerk	Member
JH Vorster	Member (resigned)
VT Yawa	Member

Municipal Manager:

RE Pieterse

Chief Financial Officer:

BF James

Grading of Local Authority:

Grade 3

Auditors:

Auditor-General

Bankers:

ABSA Bank Limited

Registered Office:

Culvert Road
De Aar
7000

Physical Address:

Culvert Road
De Aar
7000

Postal Address:

Private Bag X1012
De Aar
7000

Telephone Number:

(053) 632 0891

Fax Number:

(053) 631 2529

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 13 to 71, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: RE Pieterse

31 August 2018

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Pixley-ka-Seme District Municipality at 30 June 2018.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2017/18 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2018 indicates a increase in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the decreases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

INDICATOR	2018	2017
Surplus / (Deficit) before Appropriations	(11,396,476)	(10,341,657)
Surplus / (Deficit) at the end of the Year	(1,054,819)	654,347
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	59.31%	54.32%
Remuneration of Councillors	7.32%	7.21%
Depreciation and Amortisation	3.19%	3.46%
Impairment Losses	3.33%	0.01%
Repairs and Maintenance	1.74%	0.42%
Interest Paid	2.92%	4.55%
Contracted Services	0.88%	0.67%
Grants and Subsidies Paid	6.70%	11.16%
General Expenses	14.61%	17.53%
Loss on Disposal of Property, Plant and Equipment	0.00%	0.69%
Current Ratio:		
Trade Creditors Days	52	40
Debtors from Exchange Transactions Days	132	243

The ratio for Debtors Days, calculated on net Debtors, strengthened significantly because of doubtful debt provided on Shared Service charges that were accounted for on 30 June 2017, resulting in the significant decrease of the outstanding debt at 30 June 2018.

2.2 Performance Indicators:

INDICATOR	2018	2017
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	91.45%	11.62%
Outstanding Service Debtors to Revenue	91.45%	11.62%

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REPORT OF THE CHIEF FINANCIAL OFFICER

2. KEY FINANCIAL INDICATORS (continued)

INDICATOR	2018	2017
Liquidity Management:		
Liquidity Ratio	0.31	0.41
Liability Management:		
Capital Cost as percentage of Own Revenue	1.59%	3.13%
Borrowed Funding as percentage of Own Capital Expenditure	92.45%	99.66%
Borrowing as percentage of Total Capital Assets	(165.22)%	(155.89)%
Safety of Capital:		
Gearing	(165.22)%	(155.89)%
Financial Viability:		
Debt Coverage	60.55%	65.66%
Cost Coverage	0.11	0.18
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	100.00%	100.00%

A detailed ratio analysis, together with explanations, is included in Appendix H.

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E(1), E(2) and E(3).

The services offered by Pixley-ka-Seme District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2018 are as follows:

DETAILS	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual/ Budgeted %
Income:					
Opening surplus / (deficit)	(10,341,657)	(10,996,004)	(5.95)%	52,393,204	(119.74)%
Operating income for the year	56,419,818	54,562,443	3.40%	51,870,732	8.77%
Appropriation for the year	-	-			
	46,078,161	43,566,439		104,263,936	
Expenditure:					
Operating expenditure for the year	57,474,637	53,908,096	6.62%	53,819,018	6.79%
Closing surplus / (deficit)	(11,396,476)	(10,341,657)	10.20%	50,444,918	-122.59%
	46,078,161	43,566,439		104,263,936	

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REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.1 General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Sundry Fees levied.

DETAILS	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual/ Budgeted %
Income	54,136,973	52,942,444	2.26%	51,150,732	5.84%
Expenditure	(55,431,185)	(51,900,862)	6.80%	(51,426,464)	7.79%
Surplus / (Deficit)	(1,294,212)	1,041,582		(275,732)	
Surplus / (Deficit) as % of total income	(2.39)%	1.97%		(0.54)%	

Variance from 2017 actual:

No material fluctuation exists.

Variance from 2018 budget:

No material fluctuation exists.

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the Municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual/ Budgeted %
Income	2,282,845	1,620,000	40.92%	720,000	100.00%
Expenditure	(2,043,453)	(2,007,238)	1.80%	(2,392,554)	(14.59)%
Surplus / (Deficit)	239,392	(387,238)		(1,672,554)	
Surplus / (Deficit) as % of total income	10.49%	(23.90)%		(232.30)%	

Variance from 2017 actual:

Due to the significant increase in the Housing Accreditation Grant received during the year.

Variance from 2018 budget:

The Municipality only budgeted for R720 000 in respect to the actual R2 282 845 received as a Housing Accreditation Grant. Due to the increase in the aforementioned grant received, additional expenses were incurred.

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REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS (continued)

3.3 Shared Services:

Shared Services are services rendered by the Municipality to other municipalities in the form of Internal Audit Services. Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual/ Budgeted %
Income	-	-	-	-	-
Expenditure	-	(1,865,696)	(100.00)%	-	-
Surplus / (Deficit)	-	(1,865,696)		-	
Surplus / (Deficit) as % of total income	-	(100.00)%		-	

Variance from 2017 actual:

The department was incorporated into the Budget and Treasury Department during the year.

Variance from 2018 budget:

The department was incorporated into the Budget and Treasury Department during the year.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R3 392 383 (2017: R2 294 444). Full details of Assets are disclosed in Notes 6, 7, 8 and Appendices B, C and E(4) to the Annual Financial Statements.

The capital expenditure of R3 392 383 was financed as follows:

DETAILS	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual/ Budgeted %
External Loans	3,136,350	2,286,700	-	-	100.00%
Grants and Subsidies	-	-	-	-	-
Own Funds (Accumulated Surplus)	256,033	7,744	3206.22%	-	100.00%
	3,392,383	2,294,444		-	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2018	2017
Capital Replacement Reserve	-	-
External Loans	92.45%	99.66%
Grants and Subsidies	-	-
Own Funds (Accumulated Surplus)	7.55%	0.34%
	100.00%	100.00%

Capital Assets are funded to a great extent from External Loans as the Municipality does not have the financial resources to finance certain required capital expenditure from its own funds.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2018	2017
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(1,948,286)	(2,773,269)
Revenue variances	4,549,086	1,684,121
Expenditure variances:		
Employee Related Costs	(4,263,581)	52,831
Remuneration of Councillors	1,704	64,926
Depreciation and Amortisation	(3,832,300)	137,448
Impairment Losses	(1,916,038)	(5,028)
Repairs and Maintenance	1,221,313	(92,652)
Finance Costs	(1,557,535)	(2,330,520)
Contracted Services	1,292,168	1,077,784
Grants and Subsidies Paid	(3,850,093)	(5,802,922)
General Expenses	9,248,742	9,013,405
Loss on Disposal of Property, Plant and Equipment	-	(371,777)
Actual surplus before appropriations	(1,054,819)	654,347

DETAILS	2018	2017
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(1,948,286)	(2,831,609)
Administration	3,138	(113,968)
Finance	3,000,405	2,195,290
Development and Infrastructure	(3,983,505)	(4,239,047)
Environmental Health	33,583	(676,148)
Housing	1,911,946	1,463,962
Internal Audit	277,965	(266,157)
Council Expenses	61,594	18,319
Municipal Manager	(8,659)	(273,024)
I D P	(119,072)	1,506,587
Protection Services	(283,928)	226,598
Shared Services	-	3,643,541
Actual surplus before appropriations	(1,054,820)	654,344

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E(1), E(2) and E(3).

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REPORT OF THE CHIEF FINANCIAL OFFICER

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

5.2 Capital Budget:

DETAILS	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual/ Budgeted %
Finance and Administration	3,392,383	2,294,444	47.85%	-	100.00%
	3,392,383	2,294,444		-	

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E(4).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2018 amounted to R(11 396 476 168) (2017: R(10 341 660)) and is made up as follows:

Accumulated Surplus	(11,396,476)
	<u>(11,396,476)</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2018 was R3 525 539 (2017: R2 820 494).

Loans amounting to R3 136 350 (2017: R2 286 700) were taken up during the financial year to enable the Municipality to finance part of its capital requirements for the year.

Refer to Note 12 and Appendix A for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R12 303 733 as at 30 June 2018 (2017: R12 972 722) and is made up as follows:

Ex-Gratia Benefit Liability	56,060
Post-retirement Health Care Benefits Liability	12,247,673
	<u>12,303,733</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 13 for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

9. CURRENT LIABILITIES

Current Liabilities amounted R11 878 354 as at 30 June 2018 (2017: R13 050 578) and is made up as follows:

Provisions	Note 9	1,135,868
Payables from Exchange Transactions	Note 10	8,105,169
Unspent Conditional Grants and Receipts	Note 11	2,749,406
Current Portion of Long-term Liabilities	Note 12	634,224
		<u>12,624,667</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R12 152 667 as at 30 June 2018 (2017: R11 858 570).

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R4 137 as at 30 June 2018 (2017: R9 306).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfill its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix B for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R1 210 000 as at 30 June 2018 (2017: R1 210 000).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R4 106 636 as at 30 June 2018 (2017: R5 412 496) and is made up as follows:

Receivables from Exchange Transactions	Note 2	840,813
Cash and Cash Equivalents	Note 4	3,254,059
Operating Lease Assets	Note 5	11,764
		<u>4,106,636</u>

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programmed. Operating grants are utilized to finance the operations of the Municipality.

Refer to Notes 11 and 15, and Appendix F for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2018

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Note	2018 R	2017 R
ASSETS			
Current Assets		4,106,636	5,412,498
Receivables from Exchange Transactions	2	840,813	2,221,147
Cash and Cash Equivalents	4	3,254,059	3,185,954
Current Portion of Operating Lease Receivables	5	11,764	5,397
Non-Current Assets		13,366,804	13,089,640
Property, Plant and Equipment	6	12,152,667	11,858,570
Intangible Assets	7	4,137	9,306
Investment Property	8	1,210,000	1,210,000
Operating Lease Receivables	5	-	11,763
Total Assets		17,473,440	18,502,137
LIABILITIES			
Current Liabilities		13,040,644	13,050,578
Current Portion of Employee Benefit Liabilities	9	1,135,868	1,124,729
Payables from Exchange Transactions	10	8,105,169	8,046,410
Unspent Conditional Grants and Receipts	11	2,749,406	2,381,101
VAT Payable	3	415,977	175,895
Current Portion of Long-term Liabilities	12	634,224	1,322,443
Non-Current Liabilities		15,829,271	15,793,216
Long-term Liabilities	12	3,525,539	2,820,494
Employee Benefit Liabilities	13	12,303,733	12,972,722
Total Liabilities		28,869,916	28,843,794
Total Assets and Liabilities		(11,396,476)	(10,341,657)
NET ASSETS		(11,396,476)	(10,341,657)
Accumulated Surplus / (Deficit)	14	(11,396,476)	(10,341,657)
Total Net Assets		(11,396,476)	(10,341,657)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	15	49,929,942	49,515,453
Public Contributions and Donations	16	-	9,302
Service In-kind Contributions	17	1,951,874	-
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	18	100,714	103,056
Interest Earned - External Investments	19	716,468	619,647
Other Revenue	20	3,177,656	3,964,985
Other Gains and Losses		-	350,000
Profit on Disposal of Property, Plant and Equipment	30	543,165	-
Total Revenue		56,419,818	54,562,443
EXPENDITURE			
Employee Related Costs	21	34,091,063	29,282,022
Remuneration of Councillors	22	4,206,320	3,884,250
Depreciation and Amortisation	23	1,832,300	1,862,552
Impairment Losses	24	1,916,038	5,028
Repairs and Maintenance	25	1,000,187	225,652
Finance Costs	26	1,677,535	2,450,520
Contracted Services	27	505,622	362,216
Grants and Subsidies Paid	28	3,850,093	6,013,922
General Expenses	29	8,395,480	9,450,157
Loss on Disposal of Investment Property	30	-	371,777
Loss on Disposal of Property, Plant and Equipment	30	-	-
Total Expenditure		57,474,637	53,908,096
SURPLUS / (DEFICIT) FOR THE YEAR		(1,054,819)	654,347
Refer to Budget Statement for explanation of budget variances			

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2017		
Balance at 1 July 2016	(10,996,004)	(10,996,004)
Correction of Error	-	-
Balance at 1 July 2016	(10,996,004)	(10,996,004)
Surplus / (Deficit) for the year	654,347	654,347
Balance at 30 June 2017	(10,341,657)	(10,341,657)
2018		
Restated Balance at 1 July 2017	(10,341,657)	(10,341,657)
Surplus / (Deficit) for the year	(1,054,819)	(1,054,819)
Balance at 30 June 2018	(11,396,476)	(11,396,476)

Details on the movement of the Funds and Reserves are set out in Note 14.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

		Actual	
	Note	2018 R	2017 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grant and Subsidies		50,298,247	50,315,963
Public Contributions and Donations		-	-
Interest Received		716,468	619,647
Other Receipts		2,757,042	2,195,320
Payments			
Employee Related Costs		(36,808,346)	(29,440,243)
Remuneration of Councillors		(4,206,320)	(3,884,250)
Interest Paid		-	(2,450,520)
Suppliers Paid		(11,126,585)	(13,951,283)
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	<u><u>1,630,506</u></u>	<u><u>3,404,634</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6	(256,033)	(2,294,444)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u><u>(256,033)</u></u>	<u><u>(2,294,444)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	12	3,632,780	2,286,700
Repayment of Borrowings	12	(4,939,150)	(761,146)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u><u>(1,306,370)</u></u>	<u><u>1,525,554</u></u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u><u>68,105</u></u>	<u><u>2,635,746</u></u>
Cash and Cash Equivalents at Beginning of Period	4	3,185,954	550,208
Cash and Cash Equivalents at End of Period	4	3,254,059	3,185,954

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	2,734,860	-	2,734,860	-	-	2,734,860	840,813	-	(1,894,047)	(69.26)%	(69.26)%
VAT Receivable	-	-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	48,050,150	-	48,050,150	-	-	48,050,150	3,254,059	-	(44,796,091)	(93.23)%	(93.23)%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	11,764	-	11,764	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	1,440,000	-	1,440,000	-	-	1,440,000	12,152,667	-	10,712,667	743.94%	743.94%
Intangible Assets	100,000	-	100,000	-	-	100,000	4,137	-	(95,863)	(95.86)%	(95.86)%
Investment Property	903,000	-	903,000	-	-	903,000	1,210,000	-	307,000	34.00%	34.00%
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	-	-
Total Assets	53,228,010	-	53,228,010	-	-	53,228,010	17,473,440	-	(35,754,570)		
Current Liabilities											
Current Portion of Employee Benefit Liabilities	-	-	-	-	-	-	1,135,868	-	1,135,868	100.00%	100.00%
Payables from Exchange Transactions	1,750,000	-	1,750,000	-	-	1,750,000	8,105,169	-	6,355,169	363.15%	363.15%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	2,749,406	-	2,749,406	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	415,977	-	415,977	100.00%	100.00%
Current Portion of Long-term Liabilities	465,219	-	465,219	-	-	465,219	634,224	-	169,005	36.33%	36.33%
Non-Current Liabilities											
Long-term Liabilities	567,873	-	567,873	-	-	567,873	3,525,539	-	2,957,666	520.83%	520.83%
Retirement Benefit Liabilities	-	-	-	-	-	-	12,303,733	-	12,303,733	100.00%	100.00%
Total Liabilities	2,783,092	-	2,783,092	-	-	2,783,092	28,869,916	-	26,086,824		
Total Assets and Liabilities	50,444,918	-	50,444,918	-	-	50,444,918	(11,396,476)	-	(61,841,394)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	50,444,918	-	50,444,918	-	-	50,444,918	(11,396,476)	-	(61,841,394)	(122.59)%	(122.59)%
Total Net Assets	50,444,918	-	50,444,918	-	-	50,444,918	(11,396,476)	-	(61,841,394)		

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

During the current year, management provided for doubtful debt. This provision consisted of Shared Services debtors which has been outstanding for a significant period and although management is still attempting to recover the debt, a change exists that all or a significant portion may not be recovered.

Cash and Cash Equivalents:

Management did not take into account the significant amount of funds to be spent on projects and the operational expenditure, therefore the significant difference.

Operating Lease Assets:

Due to immaterial balance applicable and as this is a non-cash flow item, it has not been budgeted for.

Property, Plant and Equipment:

The amount budgeted for was insufficient for the applicable balance.

Intangible Assets:

Management budgeted for expenditure to be incurred on the Intangible Assets (due to MSCOA implementation), which did not realise.

Investment Property:

In the previous financial year a fair value adjustment was made (R350 000), which was not taken into consideration during the budget preparation.

Payables from Exchange Transactions:

Management is attempting to settle all debt, but unfortunately, the settling of some debt is outside the control of the Municipality, for example the Provision for Bonusses and Leave, etc.

Unspent Conditional Grants and Receipts:

Management budgeted for all grants funds to be spent at yearend, but due to circumstances outside the control of the Municipality (i.e. timing of funds allocated to the Municipality) not all funds were spent at year end.

VAT Receivable (Payable):

Management is attempting to settle all debt, but unfortunately, the settling of some debt is outside the control of the Municipality. In the 2017 financial year, the municipality made material adjustments to outstanding debtors and had to account for the VAT portion thereof. As these funds have not been recovered, the output VAT portion has not been declared and paid to SARS.

Long-term Liabilities:

New copiers were acquired by the Municipality, which were financed through finance leases.

Retirement Benefit Liabilities:

The Municipality did not budget for the Retirement Benefit Liability.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

2018

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	47,800,000	(95,000)	47,705,000	-	-	47,705,000	49,929,942	-	2,224,942	4.66%	4.46%
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	100.00%	100.00%
Service In-kind Contributions	-	-	-	-	-	-	1,951,874	-	1,951,874	100.00%	100.00%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	70,000	-	70,000	-	-	70,000	100,714	-	30,714	43.88%	43.88%
Interest Earned - External Investments	250,000	250,000	500,000	-	-	500,000	716,468	-	216,468	43.29%	186.59%
Other Income	2,985,010	610,722	3,595,732	-	-	3,595,732	3,177,656	-	(418,076)	(11.63)%	6.45%
Other Gains and Losses from Operations	-	-	-	-	-	-	-	-	-	-	-
Profit on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	543,165	-	543,165	100.00%	100.00%
Total Revenue	51,105,010	765,722	51,870,732	-	-	51,870,732	56,419,818	-	4,549,086		
Expenditure											
Employee Related Costs	29,827,482	-	29,827,482	-	-	29,827,482	34,091,063	-	4,263,581	14.29%	14.29%
Remuneration of Councillors	4,237,727	(29,703)	4,208,024	-	-	4,208,024	4,206,320	-	(1,704)	(0.04)%	(0.74)%
Depreciation and Amortisation	(2,000,000)	-	(2,000,000)	-	-	(2,000,000)	1,832,300	-	3,832,300	(191.61)%	(191.61)%
Impairment Losses	-	-	-	-	-	-	1,916,038	-	1,916,038	-	-
Repairs and Maintenance	1,853,000	368,500	2,221,500	-	-	2,221,500	1,000,187	-	(1,221,313)	(54.98)%	(46.02)%
Finance Costs	120,000	-	120,000	-	-	120,000	1,677,535	-	1,557,535	1297.95%	1297.95%
Contracted Services	2,462,000	(664,210)	1,797,790	-	-	1,797,790	505,622	-	(1,292,168)	(71.88)%	(79.46)%
Grants and Subsidies Paid	-	-	-	-	-	-	3,850,093	-	3,850,093	100.00%	100.00%
General Expenses	15,558,502	2,085,720	17,644,222	-	-	17,644,222	8,395,480	-	(9,248,742)	(52.42)%	(46.04)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	52,058,711	1,760,307	53,819,018	-	-	53,819,018	57,474,637	-	3,655,619		
Surplus/(Deficit)	(953,701)	(994,585)	(1,948,286)	-	-	(1,948,286)	(1,054,819)	-	893,467	(45.86)%	10.60%
Surplus/(Deficit for the Year)	(953,701)	(994,585)	(1,948,286)	-	-	(1,948,286)	(1,054,819)	-	893,467		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Service In-kind Contributions											
During the current year, National Treasury and the Auditor-General came to an agreement whereby the a significant portion of the outstanding fees were settled / written-off. This was not budgeted for during the year.											
Rental of Facilities and Equipment:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend. As all property was not sold, the Municipality generated Rental Income during the year.											
Interest Earned - External Investments:											
Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase its Cash and Investment balance during the year. New investment accounts were opened during the year.											
Employee Related Costs:											
Due to the provision for Performance Bonusses, which were not included in the budget for the 2017/2018 financial year.											
Depreciation and Amortisation											
Due to the insufficient amount provided for Property, Plant and Equipment, the related depreciation and amortisation expense was insufficient.											
Impairment Losses:											
During the current year, management provided for doubtful debt. This provision consisted of Shared Services debtors which has been outstanding for a significant period and although management is still attempting to recover the debt, a change exists that all or a significant portion may not be recovered.											
Repairs and Maintenance:											
As unforeseen Repairs and Maintenance expenses incurred in the previous year, management overbudgeted in the current year.											
Finance Costs:											
Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not budgeted for.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The Municipality received a number of Grants, which were not received in previous financial years and the funds were spent accordingly. The projects were not budgeted for and therefore Cash and Cash Equivalents were also over-budgeted for.											
General Expenses:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on General Expenses.											
Profit on Disposal of Property, Plant and Equipment											
Due to the disposal of the previous finance leases (and acquiring of new equipment), which were not anticipated during the year.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	-	-	-	-	-	-	3,392,383	-	3,392,383	100.00%	100.00%
Total Capital Expenditure	-	-	-	-	-	-	3,392,383	-	3,392,383		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration:											
Management did not budget for any capital expenditure, as the significant portion was obtained through a finance lease.											

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	47,800,000	-	47,800,000	-	-	47,800,000	50,298,247	-	2,498,247	5.23%	5.23%
Interest Received	250,000	-	250,000	-	-	250,000	716,468	-	466,468	186.59%	186.59%
Other Receipts	2,985,010	-	2,985,010	-	-	2,985,010	2,757,042	-	(227,968)	(7.64)%	(7.64)%
Employee Related Costs	-	-	-	-	-	-	(36,808,346)	-	(36,808,346)	(100.00)%	(100.00)%
Remuneration of Councillors	-	-	-	-	-	-	(4,206,320)	-	(4,206,320)	(100.00)%	(100.00)%
Interest Paid	-	-	-	-	-	-	-	-	-	-	-
Suppliers Paid	-	-	-	-	-	-	(11,126,585)	-	(11,126,585)	(100.00)%	(100.00)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	-	-	-	-	-	(256,033)	-	(256,033)	(100.00)%	(100.00)%
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	-	-	-
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	3,632,780	-	3,632,780	100.00%	100.00%
Loans repaid	-	-	-	-	-	-	(4,939,150)	-	(4,939,150)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	51,035,010	-	51,035,010	-	-	51,035,010	68,103	-	(50,966,907)		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Cash Flow Statement:											
Management did not budget sufficiently for the movement in the cashflow statement, due to items not budgeted for in the other statements.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	-	2,140,099	2,140,099	-	-	2,140,099	2,221,147	-	81,048	3.79%	100.00%
Cash and Cash Equivalents	944,000	97,901	1,041,901	-	-	1,041,901	3,185,954	-	2,144,053	205.78%	237.50%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	5,397	-	5,397	100.00%	100.00%
Non-Current Assets											
Property, Plant and Equipment	13,172,998	(2,238,000)	10,934,998	-	-	10,934,998	11,858,570	-	923,572	8.45%	(9.98)%
Intangible Assets	48,000	-	48,000	-	-	48,000	9,306	-	(38,694)	(80.61)%	(80.61)%
Investment Property	-	-	-	-	-	-	1,210,000	-	1,210,000	100.00%	100.00%
Operating Lease Receivables	-	-	-	-	-	-	11,763	-	11,763	100.00%	100.00%
Total Assets	14,164,998	-	14,164,998	-	-	14,164,998	18,502,137	-	4,337,139		
Current Liabilities											
Current Portion of Employee Benefit Liabilities	1,223,132	-	1,223,132	-	-	1,223,132	1,124,729	-	(98,403)	(8.05)%	(8.05)%
Payables from Exchange Transactions	1,586,000	-	1,586,000	-	-	1,586,000	8,046,410	-	6,460,410	407.34%	407.34%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	2,381,101	-	2,381,101	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	175,895	-	175,895	100.00%	100.00%
Current Portion of Long-term Liabilities	-	-	-	-	-	-	1,322,443	-	1,322,443	100.00%	100.00%
Non-Current Liabilities											
Long-term Liabilities	1,264,866	-	1,264,866	-	-	1,264,866	2,820,494	-	1,555,628	122.99%	122.99%
Retirement Benefit Liabilities	-	-	-	-	-	-	12,972,722	-	12,972,722	100.00%	100.00%
Total Liabilities	4,073,998	-	4,073,998	-	-	4,073,998	28,843,794	-	24,769,797		
Total Assets and Liabilities	10,091,000	-	10,091,000	-	-	10,091,000	(10,341,657)	-	(20,432,657)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	10,091,000	-	10,091,000	-	-	10,091,000	(10,341,657)	-	(20,432,657)	(202.48)%	(202.48)%
Total Net Assets	10,091,000	-	10,091,000	-	-	10,091,000	(10,341,657)	-	(20,432,657)		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:											
Receivables from Exchange Transactions:											
In previous financial years the Municipality budgeted for all debtors to be recovered, but during the current year it was budgeted that not all debts would be settled. Due to the fact that the majority of the debtors settled their accounts, the balance at yearend was over-											
Cash and Cash Equivalents:											
Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase its Cash and Investment balance during the year.											
Operating Lease Assets:											
Due to the fact that this is an accounting entry for the straightlining of rental income, no budgeted amount has been included by management.											
Intangible Assets:											
The decrease is due to the Amortisation Expense in the current year and the fact that no new Intangible Assets were purchased during the year.											
Investment Property:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend. The increase in comparison to the prior year balance is due to the R350 000 fair value adjustment made, based on a Professional Valuer's report.											
Payables from Exchange Transactions:											
The material difference is attributed to the outstanding account of the Auditor-General, which has not been paid in full as budgeted for.											
Unspent Conditional Grants and Receipts:											
Although management attempts to employ all grant funds, certain conditions were not met resulting in the funds not being recognised as revenue.											
VAT Receivable (Payable):											
The Municipality settled its outstanding VAT balance during the year. The Municipality engaging with SARS on input VAT not allowed, which resulted in the balance at yearend.											
Long-term Liabilities:											
A new loan was obtained from Standard Bank in order to settle the Canon finance leases, which has been classified as irregular during previous audits.											
Retirement Benefit Liabilities:											
The Municipality did not budget for the Retirement Benefit Liability.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	42,117,000	5,099,400	47,216,400	-	-	47,216,400	49,515,453	-	2,299,053	4.87%	17.57%
Public Contributions and Donations	-	-	-	-	-	-	9,302	-	9,302	100.00%	100.00%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	-	50,000	50,000	-	-	50,000	103,056	-	53,056	106.11%	100.00%
Interest Earned - External Investments	207,500	104,500	312,000	-	-	312,000	619,647	-	307,647	98.60%	198.63%
Other Income	4,539,238	760,084	5,299,322	-	-	5,299,322	3,964,985	-	(1,334,337)	(25.18)%	(12.65)%
Other Gains and Losses from Operations	-	-	-	-	-	-	350,000	-	350,000	100.00%	100.00%
Total Revenue	46,863,738	6,013,984	52,877,722	-	-	52,877,722	54,562,443	-	1,684,721		
Expenditure											
Employee Related Costs	28,259,000	1,075,853	29,334,853	-	-	29,334,853	29,282,022	-	(52,831)	(0.18)%	3.62%
Remuneration of Councillors	3,892,700	56,476	3,949,176	-	-	3,949,176	3,884,250	-	(64,926)	(1.64)%	(0.22)%
Depreciation and Amortisation	2,000,000	-	2,000,000	-	-	2,000,000	1,862,552	-	(137,448)	(6.87)%	(6.87)%
Impairment Losses	-	-	-	-	-	-	5,028	-	5,028	100.00%	100.00%
Repairs and Maintenance	155,000	(22,000)	133,000	-	-	133,000	225,652	-	92,652	69.66%	45.58%
Finance Costs	100,000	20,000	120,000	-	-	120,000	2,450,520	-	2,330,520	1942.10%	2350.52%
Contracted Services	1,400,000	40,000	1,440,000	-	-	1,440,000	362,216	-	(1,077,784)	(74.85)%	(74.13)%
Grants and Subsidies Paid	-	211,000	211,000	-	-	211,000	6,013,922	-	5,802,922	2750.20%	100.00%
General Expenses	15,468,000	2,995,562	18,463,562	-	-	18,463,562	9,450,157	-	(9,013,405)	(48.82)%	(38.91)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	371,777	-	371,777	100.00%	100.00%
Total Expenditure	51,274,700	4,376,891	55,651,591	-	-	55,651,591	53,908,096	-	(1,743,495)		
Surplus/(Deficit)	(4,410,962)	1,637,093	(2,773,869)	-	-	(2,773,869)	654,347	-	3,428,216	(123.59)%	(114.83)%
Surplus/(Deficit for the Year)	(4,410,962)	1,637,093	(2,773,869)	-	-	(2,773,869)	654,347	-	3,428,216		
Financial Performance: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:											
Rental of Facilities and Equipment:											
The Municipality is busy disposing of its Investment Property, and therefore no balance was budgeted for at yearend. As all property was not sold, the Municipality generated Rental Income during the year.											
Interest Earned - External Investments:											
Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase its Cash and Investment balance during the year.											
Other Income:											
The Municipality is generating less income from their Shared Services due to other Municipalities experiencing financial difficulties.											
Impairment Losses:											
This is represented by Medical Aid debtors written-off during year due to the fact that they are deceased.											
Repairs and Maintenance:											
Unforeseen Repairs and Maintenance expenditure occurred.											
Finance Costs:											
Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not budgeted for.											
Contracted Services:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on Contracted Services.											
Grants and Subsidies Paid:											
The Municipality received a number of Grants, which were not received in previous financial years and the funds were spent accordingly.											
General Expenses:											
Due to cost saving exercises, the Municipality was able to save on the amount of funds spent on General Expenses.											
Loss on Disposal of Property, Plant and Equipment:											
A number of assets were disposed off, as well as written-off during the year (including the Canon Finance Leases, that were settled).											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Finance and Administration	-	11,000	11,000	-	-	11,000	2,294,444	-	2,283,444	20758.58%	100.00%
Total Capital Expenditure	-	11,000	11,000	-	-	11,000	2,294,444	-	2,283,444		
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration:											
R2 287 600 of the R2 294 000 is represented by new (Nashua Finance Lease) leased assets. If this is taken into account, the actual capital expenditure, out of Own Funds, did not exceed the budgeted amount.											

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	41,807,000	4,520,000	46,327,000	-	-	46,327,000	50,315,963	-	3,988,963	8.61%	20.35%
Interest Received	205,000	200,000	405,000	-	-	405,000	619,647	-	214,647	53.00%	202.27%
Other Receipts	4,722,825	1,292,125	6,014,950	-	-	6,014,950	2,195,320	-	(3,819,630)	(63.50)%	(53.52)%
Employee Related Costs	(28,061,446)	1,446,271	(26,615,175)	-	-	(26,615,175)	(29,440,243)	-	(2,825,068)	10.61%	4.91%
Remuneration of Councillors	(3,892,700)	(56,478)	(3,949,178)	-	-	(3,949,178)	(3,884,250)	-	64,928	(1.64)%	(0.22)%
Interest Paid	(160,000)	(20,000)	(180,000)	-	-	(180,000)	(2,450,520)	-	(2,270,520)	1261.40%	1431.58%
Suppliers Paid	(15,943,640)	(4,901,860)	(20,845,500)	-	-	(20,845,500)	(13,951,283)	-	6,894,217	(33.07)%	(12.50)%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	-	(11,000)	(11,000)	-	-	(11,000)	(2,294,444)	-	(2,283,444)	20758.58%	(100.00)%
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	-	-	-
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	2,286,700	-	2,286,700	100.00%	100.00%
Loans repaid	(629,000)	-	(629,000)	-	-	(629,000)	(761,146)	-	(132,146)	21.01%	21.01%
Cash and Cash Equivalents at End of the Year	(1,951,961)	2,469,058	517,097	-	-	517,097	2,635,744	-	2,118,647		
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Interest Received:											
Due to cost-cutting measures and the increase in funding through grants, the Municipality was able to increase its Cash and Investment balance during the year.											
Interest Paid:											
Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not budgeted for.											
Suppliers Paid:											
Due to cost-cutting measures, the Municipality was able to under-spend on this item (General Expenses and Contracted Services are the main reasons for this).											
Purchase of Property, Plant and Equipment:											
R2 287 600 of the R2 294 000 is represented by new (Nashua Finance Lease) leased assets. If this is taken into account, the actual capital expenditure, out of Own Funds, did not exceed the budgeted amount.											
Loans repaid:											
Due to the Standard Bank loan and the Nashua Finance Leases entered into during the year, which was not budgeted for.											

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

RECONCILIATION OF BUDGET SURPLUS / (DEFICIT) WITH THE SURPLUS / (DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2018	2017
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	(1,054,819)	654,347
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	(2,224,942)	(2,299,053)
Public Contributions and Donations	-	(9,302)
Service In-kind Contributions	(1,951,874)	-
Revenue from Exchange Transactions		
Rental of Facilities and Equipment	(30,714)	(53,056)
Interest Earned - External Investments	(216,468)	(307,647)
Other Revenue	418,076	1,334,337
Other Gains and Losses	-	(350,000)
Profit on Disposal of Property, Plant and Equipment	(543,165)	-
Expenditure		
Employee Related Costs	4,263,581	(52,831)
Remuneration of Councillors	(1,704)	(64,926)
Depreciation and Amortisation	3,832,300	(137,448)
Impairment Losses	1,916,038	5,028
Repairs and Maintenance	(1,221,313)	92,652
Finance Costs	1,557,535	2,330,520
Contracted Services	(1,292,168)	(1,077,784)
Grants and Subsidies Paid	3,850,093	5,802,922
General Expenses	(9,248,742)	(9,013,405)
Loss on Disposal of Property, Plant and Equipment	-	371,777
Net Surplus/Deficit per Approved Budget	(1,948,286)	(2,773,869)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2018 and 30 June 2017, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 7.1 on Financial Assets Classification and Accounting Policy 7.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 2 to the AFS.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. BASIS OF PRESENTATION (continued)

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the Municipality depreciates its property, plant and equipment and investment property, and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment Property and Intangible Assets

Accounting Policy 6 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the AFS, whilst no impairments were made to intangible assets.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 13 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. BASIS OF PRESENTATION (continued)

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Related Parties - GRAP 20

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus in terms of specific requirements.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Buildings	Years 30 - 100
Other	
Specialist Vehicles	5 - 20
Other Vehicles	5 - 10
Office Equipment	3 - 7
Furniture and Fittings	7 - 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. INTANGIBLE ASSETS (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial information disclosed previously.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property;

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6. IMPAIRMENT OF ASSETS (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

6.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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7. FINANCIAL INSTRUMENTS (continued)

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

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7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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7. FINANCIAL INSTRUMENTS (continued)

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. GRANTS AND RECEIPTS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality, meet the definition and criteria for recognition of an asset.

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

9. REVENUE RECOGNITION

9.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions

9.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

9.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

9.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

9.3.1 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

9.3.2 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10. PROVISIONS

Provisions for legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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10. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

11.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

11.4 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Municipality contributes monthly to the funds.

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11. EMPLOYEE BENEFITS (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

12.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The Municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

12.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

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13. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 31 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
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20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

22. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2017 to 30 June 2018.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of Financial Position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

27. IN-KIND DONATIONS AND CONTRIBUTIONS

In-kind Donations and Contributions are recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind Donations and Contributions are recognised at the fair value of the consideration received or receivable.

In the case of Donated Assets, the Donation is recognised at the fair value of the asset received.

28. PUBLIC PRIVATE PARTNERSHIPS

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23) states that control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The Municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.
- The Municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

The control approach is also applied to PPP agreements where the Municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the Municipality only recognises the asset in its financial statements if both the control approach criteria are met.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

1. GENERAL INFORMATION

Pixley-ka-Seme District Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province. The addresses of its registered office and principal place of business are disclosed under General Information included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Other Receivables	3,025,097	(2,184,284)	840,813
Property Rental Debtors	61,705	-	61,705
Shared Services	2,931,598	(2,184,284)	747,315
Sundry Debtors	31,793	-	31,793
Total Receivables from Exchange Transactions	3,025,097	(2,184,284)	840,813
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Other Receivables	2,221,147	-	2,221,147
Property Rental Debtors	541	-	541
Shared Services	2,184,284	-	2,184,284
Sundry Debtors	36,322	-	36,322
Total Receivables from Exchange Transactions	2,221,147	-	2,221,147

Other Receivables include outstanding debtors for various other services, e.g. Shared Services, Medical Aid Receivables and Property Rental.

The average credit period for Receivables is 30 days. No interest is charged for outstanding debtors. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

2.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2018

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Property Rental Debtors:					
Gross Balances	10,217	10,217	10,082	31,189	61,705
Less: Provision for Impairment	-	-	-	-	-
Net Balances	10,217	10,217	10,082	31,189	61,705
Shared Services:					
Gross Balances	597,477	149,838	-	2,184,284	2,931,598
Less: Provision for Impairment	-	-	-	(2,184,284)	(2,184,284)
Net Balances	597,477	149,838	-	-	747,315
Sundry Debtors:					
Gross Balances	-	-	-	31,793	31,793
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	31,793	31,793

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

As at 30 June 2018, Receivables of R233 119 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	160,055	10,082	2,247,265	2,417,403
Less: Provision for Impairment	-	-	(2,184,284)	(2,184,284)
Net Balances	160,055	10,082	62,982	233,119

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	541	-	-	-	541
Less: Provision for Impairment	-	-	-	-	-
Net Balances	541	-	-	-	541
Shared Services:					
Gross Balances	2,184,284	-	-	-	2,184,284
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,184,284	-	-	-	2,184,284
Sundry Debtors:					
Gross Balances	9,013	-	-	27,309	36,322
Less: Provision for Impairment	-	-	-	-	-
Net Balances	9,013	-	-	27,309	36,322

As at 30 June 2017, Receivables of R27 309 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	-	-	27,309	27,309
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	27,309	27,309

2.2 Reconciliation of Provision for Impairment

Balance at beginning of year	-	(1,567,565)
Impairment Losses recognised	(2,184,284)	-
Amounts written off as uncollectable	-	1,567,565
Balance at end of year	(2,184,284)	-

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of the Receivables from Exchange Transactions, the Municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

2.3 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
3. VAT RECEIVABLE (PAYABLE)		
VAT Receivable (Payable)	(415,977)	(175,895)
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.		
4. CASH AND CASH EQUIVALENTS		
Current Investments	3,034,073	1,855,745
Bank Accounts	219,986	1,330,209
Total Bank, Cash and Cash Equivalents	3,254,059	3,185,954
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
4.1 Current Investment Deposits		
Call Deposits	3,034,073	1,855,745
Total Current Investment Deposits	3,034,073	1,855,745
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10% to 5.75% (2017: 5.10% to 5.75%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54% to 5.68% (2017: 5.54% to 5.68%) per annum.		
Deposits attributable to Unspent Conditional Grants	2,749,406	2,381,101
Total Deposits attributable to Commitments of the Municipality	2,749,406	2,381,101
Deposits of R3 175 806 (2017: R2 381 101) are ring-fenced and attributable to Unspent Conditional Grants.		
4.2 Bank Accounts		
Cash in Bank	219,986	1,330,209
Total Bank Accounts	219,986	1,330,209
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0197</i>		
Cash book balance at beginning of year	1,330,209	97,665
Cash book balance at end of year	-	1,330,209
Bank statement balance at beginning of year	1,330,209	97,665
Bank statement balance at end of year	-	1,330,209
<i>Standard Bank - De Aar Branch - Cheque Account Number 04 171 8046</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	219,986	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	219,986	-

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
4. CASH AND CASH EQUIVALENTS (continued)		
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Term Deposit Number 605 438 4570</i>		
Cash book balance at beginning of year	-	43,152
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	43,152
Bank statement balance at end of year	-	-
Call Deposits		
<i>Standard Bank - De Aar Branch - Call Deposit Number 048872555</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	3,034,073	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	3,034,073	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 463 4894</i>		
Cash book balance at beginning of year	5,351	5,376
Cash book balance at end of year	-	5,351
Bank statement balance at beginning of year	5,351	5,376
Bank statement balance at end of year	-	5,351
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 355 2505</i>		
Cash book balance at beginning of year	1,419,373	389,502
Cash book balance at end of year	-	1,419,373
Bank statement balance at beginning of year	1,419,373	389,502
Bank statement balance at end of year	-	1,419,373
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 498 2487</i>		
Cash book balance at beginning of year	-	8,292
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	8,292
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 930 121 9733</i>		
Cash book balance at beginning of year	-	1,004
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1,004
Bank statement balance at end of year	-	-
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 624 8065</i>		
Cash book balance at beginning of year	2,303	1,808
Cash book balance at end of year	-	2,303
Bank statement balance at beginning of year	2,303	1,808
Bank statement balance at end of year	-	2,303
<i>ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 8348 243</i>		
Cash book balance at beginning of year	428,718	3,408
Cash book balance at end of year	-	428,718
Bank statement balance at beginning of year	428,718	3,408
Bank statement balance at end of year	-	428,718

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
5. OPERATING LEASE RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	17,160	14,209
Operating Lease Revenue recorded	(5,396)	2,951
Total Operating Lease Receivables	11,764	17,160
Less: Amounts due for settlement within 12 months (Current Portion)	(11,764)	(5,397)
Total Operating Lease Receivables	-	11,763

5.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2017: 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

5.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	11,764	5,397
2 to 5 years	-	11,763
More than 5 years	-	-
Total Operating Lease Arrangements	11,764	17,160

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R5 396 (2017: increase of R2 951) in current year income.

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	100,714	103,056
Repairs and Maintenance	-	-

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2018

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2017	7,526,113	303,911	374,304	196,117	1,676,606	1,781,520	11,858,570
Cost	15,098,960	1,158,401	1,901,183	1,024,798	2,188,548	2,644,526	24,016,416
- Completed Assets	15,098,960	1,149,099	1,901,183	1,024,798	2,188,548	2,644,526	24,007,114
- Under Construction	-	9,302	-	-	-	-	9,302
Accumulated Impairment Losses	-	(872)	(3)	(2,843)	-	-	(3,718)
Accumulated Depreciation	(7,572,847)	(853,618)	(1,526,876)	(825,838)	(511,942)	(863,006)	(12,154,128)
Acquisitions	-	251,158	4,876	-	-	3,136,350	3,392,383
Depreciation	(913,295)	(87,522)	(49,445)	(39,669)	(93,596)	(643,603)	(1,827,131)
Carrying value of Disposals	-	-	-	-	-	(1,271,157)	(1,271,157)
- Cost	-	-	-	-	-	(1,881,104)	(1,881,104)
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	609,947	609,947
Impairment Losses	-	-	-	-	-	-	-
Carrying values at 30 June 2018	6,612,818	467,547	329,734	156,448	1,583,010	3,003,110	12,152,667
Cost	15,098,960	1,409,559	1,906,059	1,024,798	2,188,548	3,899,772	25,527,696
- Completed Assets	15,098,960	1,409,559	1,906,059	1,024,798	2,188,548	3,899,772	25,527,696
- Under Construction	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2,843)	-	-	(3,718)
Accumulated Depreciation:	(8,486,142)	(941,140)	(1,576,321)	(865,507)	(605,538)	(896,662)	(13,371,312)

30 June 2017

Reconciliation of Carrying Value

Description	Land and Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2016	8,439,408	382,632	442,830	249,060	1,884,340	385,715	11,783,984
Cost	15,098,960	1,144,577	1,901,183	1,053,497	2,388,548	1,894,010	23,480,775
- Completed Assets	15,098,960	1,144,577	1,901,183	1,053,497	2,388,548	1,894,010	23,480,775
- Under Construction	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(872)	(3)	(2,843)	-	-	(3,718)
Accumulated Depreciation	(6,659,552)	(761,073)	(1,458,350)	(801,594)	(504,208)	(1,508,295)	(11,693,073)
Acquisitions	-	7,744	-	-	-	2,286,700	2,294,444
Donated Assets	-	9,302	-	-	-	-	9,302
Depreciation	(913,295)	(95,182)	(68,526)	(49,299)	(116,808)	(614,272)	(1,857,382)
Carrying value of Disposals	-	(585)	-	(3,644)	(90,926)	(276,623)	(371,778)
- Cost	-	(3,222)	-	(28,699)	(200,000)	(1,536,184)	(1,768,105)
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	2,637	-	25,055	109,074	1,259,561	1,396,327
Impairment Losses	-	-	-	-	-	-	-
Carrying values at 30 June 2017	7,526,113	303,911	374,304	196,117	1,676,606	1,781,520	11,858,570
Cost	15,098,960	1,158,401	1,901,183	1,024,798	2,188,548	2,644,526	24,016,416
- Completed Assets	15,098,960	1,149,099	1,901,183	1,024,798	2,188,548	2,644,526	24,007,114
- Under Construction	-	9,302	-	-	-	-	9,302
Accumulated Impairment Losses	-	(872)	(3)	(2,843)	-	-	(3,718)
Accumulated Depreciation:	(7,572,847)	(853,618)	(1,526,876)	(825,838)	(511,942)	(863,006)	(12,154,128)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018 **2017**
R **R**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

6.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

6.3 Assets pledged as security

The Municipality's obligations under Finance Leases (see Note 12) are secured by the lessors' title to the leased assets. No other assets of the Municipality have been pledged as security.

6.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the Municipality at the reporting date.

6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned asset categories for the financial year:

Other Assets	(207,100)	(157,144)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u>(207,100)</u>	<u>(157,144)</u>

The change in estimates will result in a decrease of R207 100 (2017: R157 144) in the Depreciation Expense for the Municipality over the next three financial years.

6.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation	<u>4,137</u>	<u>9,306</u>
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The movement in Intangible Assets is reconciled as follows:

Carrying values at 1 July	9,306	14,475
Cost	397,692	397,692
Accumulated Amortisation	(388,386)	(383,217)
 Amortisation	 (5,169)	 (5,169)
 Carrying values at 30 June	 4,137	 9,306
Cost	397,692	397,692
Accumulated Amortisation	(393,555)	(388,386)

The amortisation expense has been included in the line item Depreciation and Amortisation in the Statement of Financial Performance (see Note 22).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix B for more detail on Intangible Assets.

7.1 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
7. INTANGIBLE ASSETS (continued)		
7.2 Impairment of Intangible Assets		
No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.		
8. INVESTMENT PROPERTY		
At Fair Value	<u>1,210,000</u>	<u>1,210,000</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	1,210,000	860,000
Fair Value	1,210,000	860,000
Accumulated Impairment Losses	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	350,000
Carrying values at 30 June	1,210,000	1,210,000
Fair Value	1,210,000	1,210,000
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	<u>1,210,000</u>	<u>1,210,000</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	100,714	103,056
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-
All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.		
There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations on Investment Property.		
Refer to Appendix B for more detail on Investment Property.		
8.1 Investment Property carried at Fair Value		
The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.		
The following assumptions were used:		
Discount Rate	11.50%	11.50%
8.2 Impairment of Investment Property		
No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.		
9. CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES		
Current Portion of Ex-Gratia Benefit Liability (See Note 13)	20,160	20,160
Current Portion of Post-retirement Health Care Benefits Liability (See Note 13)	1,115,708	1,104,569
Total Current Portion of Employee Benefit Liabilities	<u>1,135,868</u>	<u>1,124,729</u>
The movement in provisions are reconciled as follows:		
Current Portion of Employee Benefit Liabilities	Ex-Gratia R	Post-retirement R
2018		
Balance at beginning of year	20,160	1,104,569
Contributions to provision	-	11,139
Balance at end of year	<u>20,160</u>	<u>1,115,708</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
9. CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES (continued)		
	Ex-Gratia R	Post-retirement R
2017		
Balance at beginning of year	23,400	1,157,004
Contributions to provision	(3,240)	(52,435)
Balance at end of year	20,160	1,104,569

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	1,403,069	1,093,285
Payments received in Advance	33,138	24,158
Performance Bonuses	746,313	891,684
Staff Bonuses	876,888	832,073
Advances from Road Department	240,750	240,750
Other Creditors	2,996,474	3,148,920
Accrued Leave	1,808,537	1,696,298
Settlement	-	119,242
Total Payables	8,105,169	8,046,410

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government

National Government Grants	2,749,406	2,381,101
Provincial Government Grants	202,991	427,258
	2,546,415	1,953,843

11.2 Other Conditional Receipts

Public Contributions	-	-
	-	-

Total Conditional Grants and Receipts

	2,749,406	2,381,101
--	------------------	------------------

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 15 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix F for more detail on Conditional Grants.

12. LONG-TERM LIABILITIES

Annuity Loans	526,983	1,558,460
Finance Lease Liabilities	3,632,780	2,584,477
Sub-total	4,159,763	4,142,937
Less: Current Portion transferred to Current Liabilities	(634,224)	(1,322,443)
Annuity Loans	(526,983)	(1,032,941)
Finance Lease Liabilities	(107,241)	(289,502)
Total Long-term Liabilities (Neither past due, nor impaired)	3,525,539	2,820,494

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

12. LONG-TERM LIABILITIES (continued)

12.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2017: 5 to 10) years and at interest rates varying from 9.86% to 9.89% (2017: 9.86% to 9.89%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

12.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2017: 3 years). The effective interest rate on Finance Leases is between 2.16% and 7.93% (2017: 2.16% and 7.93%).

The Municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2018	2017	2018	2017
	R	R	R	R
The obligations under Finance Leases are as follows:				
Amounts payable under finance leases:				
Within one year	1,514,477	1,394,984	107,241	289,502
In the second to fifth years, inclusive	6,659,375	4,198,112	3,525,538	2,294,975
	<u>8,173,852</u>	<u>5,593,096</u>	<u>3,632,779</u>	<u>2,584,477</u>
Less: Future Finance Obligations	(4,541,073)	(3,008,619)	-	-
Present Value of Minimum Lease Obligations	<u>3,632,779</u>	<u>2,584,477</u>	<u>3,632,779</u>	<u>2,584,477</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(107,241)	(289,502)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>3,525,538</u>	<u>2,294,975</u>

The Municipality has finance lease agreements for the following significant classes of assets:

- IT equipment

Included in these classes are the following significant leases:

(i) IT Equipment	3,632,779	2,584,477
- Installments are payable quarterly in advance		
- Average period outstanding	1 month	1 month
- Average effective interest rate	40.59%	40.59%
- Average monthly installment	116,448	86,500

12.3 Breach of Loan Agreement

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
13. EMPLOYEE BENEFIT LIABILITIES		
Ex-Gratia Benefit Liability	56,060	59,618
Post-retirement Health Care Benefits Liability	12,247,673	12,913,104
Total Employee Benefit Liabilities	12,303,733	12,972,722
13.1 Ex-Gratia Benefit Liability		
Balance at beginning of Year	79,778	93,259
Increase due to Discounting	5,224	6,843
Expenditure incurred	(20,160)	(23,400)
Actuarial (Gains) /Losses	11,378	3,076
Balance at end of Year	76,220	79,778
Transfer to Current Provisions	(20,160)	(20,160)
Total Post-retirement Health Care Benefits Liability	56,060	59,618
<p>The Municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the Municipality. According to the rules of the Pension Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such pension fund on retirement, in which case the Municipality is liable for a certain portion of the pension fund membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Ex-Gratia Benefit Plan are made up as follows:</p>		
Continuation Members (Retirees, widowers and orphans)	3	3
Total Members	3	3
<p>The liability in respect of past service has been estimated as follows:</p>		
Continuation Members (Retirees, widowers and orphans)	79,778	79,778
Total Liability	79,778	79,778
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.71%	7.48%
Health Care Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	0	0
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	79,778	93,259
Interest cost	5,224	6,843
Benefits paid	(20,160)	(23,400)
Actuarial losses / (gains)	11,378	3,076
Total Recognised Benefit Liability	76,220	79,778
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	76,220	79,778
Total Benefit Liability	76,220	79,778
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	5,224	6,843
Expenditure incurred	(20,160)	(23,400)
Actuarial losses / (gains)	11,378	3,076
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(3,558)	(13,481)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
13. EMPLOYEE BENEFIT LIABILITIES (continued)		
The history of experienced adjustments is as follows:		
	2018 R	2017 R
Present Value of Defined Benefit Obligation	76,220	79,778
Deficit	76,220	79,778
Experienced adjustments on Plan Liabilities	64,842	79,778

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	5,724	7,411
Effect on the defined benefit obligation	74,084	77,406

Decrease:

Effect on the aggregate of the current service cost and the interest cost	4,687	6,235
Effect on the defined benefit obligation	78,492	82,305

Refer to Note 42: Multi-employer Retirement Benefit Information to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

13.2 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	14,017,673	14,705,569
Contributions to Provision	396,239	357,443
Increase due to Discounting	1,186,743	1,290,784
Expenditure incurred	(1,081,410)	(1,059,227)
Actuarial (Gains) /Losses	(1,155,865)	(1,276,896)
Balance at end of Year	13,363,381	14,017,673
Transfer to Current Provisions	(1,115,708)	(1,104,569)
Total Long Service Awards Liability	12,247,673	12,913,104

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	28	28
Continuation Members (Retirees, widowers and orphans)	28	28
Total Members	56	56

The liability in respect of past service has been estimated as follows:

In-service Members	4,268,000	4,452,290
Continuation Members	9,095,000	9,565,384
Total Liability	13,363,000	14,017,674

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Hosmed
- Keyhealth
- LA Health
- Samwumed

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R		
13. EMPLOYEE BENEFIT LIABILITIES (continued)				
The Current-service Cost for the year ending 30 June 2018 is estimated to be R396 239, whereas the cost for the ensuing year is estimated to be R362 583 (2017: R357 443 and R396 239 respectively).				
The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount Rate	9.13%	8.81%		
Health Care Cost Inflation Rate	7.07%	7.20%		
Net Effective Discount Rate	1.93%	1.50%		
Expected Retirement Age - Females	58	58		
Expected Retirement Age - Males	58	58		
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	14,017,673	14,705,569		
Current service costs	396,239	357,443		
Interest cost	1,186,743	1,290,784		
Benefits paid	(1,081,410)	(1,059,227)		
Actuarial losses / (gains)	(1,155,865)	(1,276,896)		
Total Recognised Benefit Liability	13,363,381	14,017,673		
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	13,363,381	14,017,673		
Total Benefit Liability	13,363,381	14,017,673		
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	396,239	357,443		
Interest cost	1,186,743	1,290,784		
Benefits paid	(1,081,410)	(1,059,227)		
Actuarial losses / (gains)	(1,155,865)	(1,276,896)		
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	(654,292)	(687,896)		
The history of experienced adjustments is as follows:				
	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	13,363,381	14,017,673	14,017,673	14,655,101
Deficit	13,363,381	14,017,673	14,017,673	15,584,738
Experienced adjustments on Plan Liabilities	14,496,087	15,196,793	15,142,544	16,211,251
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost			1,820,500	1,892,900
Effect on the defined benefit obligation			14,792,000	15,632,000
Decrease:				
Effect on the aggregate of the current service cost and the interest cost			1,390,100	1,450,200
Effect on the defined benefit obligation			12,155,000	12,668,000
The Municipality expects to make a contribution of R1 115 708 (2017: R1 104 569) to the Defined Benefit Plans during the next financial year.				
14. ACCUMULATED SURPLUS				
The Accumulated Surplus consists of the following Internal Funds and Reserves:				
Accumulated Surplus / (Deficit) due to the results of Operations			(11,396,476)	(10,341,657)
Total Accumulated Surplus			(11,396,476)	(10,341,657)
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.				

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
15. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	39,861,400	35,824,000
Provincial: Health Subsidy	165,533	91,719
Operational Grants	<u>40,026,933</u>	<u>35,915,719</u>
Conditional Grants	9,903,009	13,599,734
National: EPWP	797,867	576,513
National: FMG	1,250,000	1,250,000
Provincial: Roads	848,355	857,965
Provincial: Shared Services	-	3,464,000
Provincial: COGHSTA (Housing Accreditation)	2,282,845	1,620,000
Provincial: Project Hopetwon	465,202	1,026,798
Provincial: DPSA Grant	525,971	186,920
Provincial: NEAR	350,000	350,000
Provincial: EPWP Renosterberg	379,768	-
Provincial: Cleaning Project	-	262,671
Provincial: Renosterberg Valuations	-	1,000,000
National: Rural Roads Asset Management System	3,003,000	3,004,867
Total Government Grants and Subsidies	<u><u>49,929,942</u></u>	<u><u>49,515,453</u></u>
Government Grants and Subsidies:		
Conditional Grants - Operational	7,240,395	10,717,063
Unconditional Grants - Operational	42,309,778	37,535,719
Total Government Grants and Subsidies	<u><u>49,550,173</u></u>	<u><u>48,252,782</u></u>
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	49,550,173	48,252,782
Total Transfers	<u><u>49,550,173</u></u>	<u><u>48,252,782</u></u>
Operational Grants:		
15.1 National: Equitable Share	<u><u>39,861,400</u></u>	<u><u>35,824,000</u></u>
The Municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally. No funds were withheld.		
15.2 Provincial: COGHSTA (Housing Accreditation)		
Balance unspent at beginning of year	-	-
Current year receipts	2,282,845	1,620,000
Conditions met - transferred to Operating Revenue	(2,282,845)	(1,620,000)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>
This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.		
Conditional Grants:		
15.3 Provincial: Health Subsidy		
Balance unspent at beginning of year	165,533	7,252
Current year receipts	-	250,000
Conditions met - transferred to Operating Revenue	(165,533)	(91,719)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u><u>165,533</u></u>
To promote and support HIV Aids programmes within the Municipal area. No funds were withheld.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
15. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
15.4 National: Expanded Public Works Programme		
Balance unspent at beginning of year	427,259	3,772
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to Operating Revenue	(797,867)	(576,513)
Repayment of funds (withheld from Equitable Share allocation)	(426,400)	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>202,992</u>	<u>427,259</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.5 National: Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1,250,000	1,250,000
Conditions met - transferred to Operating Revenue	(1,250,000)	(1,250,000)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

15.6 Provincial: Shared Services

Balance unspent at beginning of year	-	-
Current year receipts	-	3,464,000
Conditions met - transferred to Operating Revenue	-	(3,464,000)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>

Provincial provided the Municipality with this grant in order to fund its Shared Service activities at the local municipalities. All conditions attached to the grant were met. No funds have been withheld.

15.7 Provincial: Department of Roads

Balance unspent at beginning of year	-	-
Current year receipts	848,355	857,965
Conditions met - transferred to Operating Revenue	(848,355)	(857,965)
Conditions still to be met - transferred to Current assets (see Note 2)	<u>-</u>	<u>-</u>

The Roads Grant was allocated for the payment of the medical aid ex gratia for personnel that is and has been on pension. No funds have been withheld.

15.8 Provincial: Project Hopetown

Balance unspent at beginning of year	465,202	-
Current year receipts	-	1,492,000
Conditions met - transferred to Operating Revenue	(465,202)	(1,026,798)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>(0)</u>	<u>465,202</u>

This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.

15.9 Provincial: DPSA Grant

Balance unspent at beginning of year	48,080	-
Current year receipts	1,615,000	235,000
Conditions met - transferred to Operating Revenue	(525,971)	(186,920)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>1,137,108</u>	<u>48,080</u>

The purpose of the DPSA grant is to assist the Municipality to comply with the MSCOA regulations and to upgrade its computer service, in order to run GIS. All conditions attached to the grant were met. No funds have been withheld.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
15. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
15.10 Provincial: NEAR		
Balance unspent at beginning of year	1,274,130	1,274,130
Current year receipts	350,000	350,000
Conditions met - transferred to Operating Revenue	(350,000)	(350,000)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>1,274,130</u>	<u>1,274,130</u>
This grants is provided for disaster management within the boundries of the district. All conditions attached to the grant were met. No funds have been withheld.		
15.11 Provincial: Electrification Programme		
Balance unspent at beginning of year	898	898
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>898</u>	<u>898</u>
This grant was allocated to improve and upgrade the electrify infrastructure and enhance the electricity capacity within the Municipality. All conditions attached to the grant were met. No funds have been withheld.		
15.12 Provincial: Cleaning Project		
Balance unspent at beginning of year	-	262,671
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	(262,671)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>
This grant was allocated to the Municipality for a cleaning project. All conditions attached to the grant were met. No funds have been withheld.		
15.13 Provincial: Renosterberg Valuations		
Balance unspent at beginning of year	-	-
Current year receipts	-	1,000,000
Conditions met - transferred to Operating Revenue	-	(1,000,000)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>
Funds were provided in order for the Municipality to assist the Renosterberg Local Municipality (local municipality within the district) to perform its general valuation of properties. All conditions attached to the grant were met. No funds have been withheld.		
15.14 National: Rural Roads Asset Management System		
Balance unspent at beginning of year	-	31,867
Current year receipts	3,003,000	2,973,000
Conditions met - transferred to Operating Revenue	(3,003,000)	(3,004,867)
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>-</u>	<u>-</u>
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage. All conditions attached to the grant were met. No funds have been withheld.		
15.15 Provincial: EPWP Renosterberg		
Balance unspent at beginning of year	-	-
Current year receipts	514,047	-
Conditions met - transferred to Operating Revenue	(379,768)	-
Conditions still to be met - transferred to Current liabilities (see Note 11)	<u>134,279</u>	<u>-</u>
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage. All conditions attached to the grant were met. No funds have been withheld.		
16. PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Donations	-	9,302
Total Public Contributions and Donations	<u>-</u>	<u>9,302</u>
The Other Donations are represented by donated assets.		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
17. SERVICE IN-KIND CONTRIBUTIONS		
Service In-kind Contribution	1,951,874	-
Total Service In-kind Contribution	1,951,874	-

The Other Donations are represented by the outstanding account of the Auditor-General of South Africa, which was written-off / reduced after consultation with National Treasury and an agreement reached between the two parties. The agreement resulted in a number of invoices being written back resulting the decrease of the outstanding balance.

18. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	100,714	103,056
Total Rental of Facilities and Equipment	100,714	103,056

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

19. INTEREST EARNED

External Investments:

Bank Account	42,925	9,945
Investments	673,543	609,702
	716,468	619,647

Total Interest Received		
Interest - Fixed Deposits	-	756
Interest - Notice Deposits	673,543	608,946
Interest - Other	42,925	9,945

Interest - Variable Rate Instruments	716,468	619,647
Total Interest Earned	716,468	619,647

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	716,468	619,647
	716,468	619,647

20. OTHER REVENUE

Money Various	3,144	71,498
SETA Claims	54,514	308,559
Administration Cost	225,852	273,250
Insurance Claims Received	-	79,230
Telephone Deductions	-	44,040
Tender Documents	15,500	4,000
Contribution from Municipalities	2,878,646	3,184,408
Total Other Revenue	3,177,656	3,964,985

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 15 to 18, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
21. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	26,555,156	22,073,226
Basic Salaries and Wages	23,877,125	19,565,650
Contribution to Leave Fund	194,647	231,492
Performance Bonuses	746,313	617,956
Service Bonuses	1,737,071	1,658,128
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,413,820	4,095,028
Medical	728,796	660,501
Pension	3,515,507	3,287,683
Industrial Council Levy	8,184	7,503
UIF	161,333	139,341
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,882,034	2,081,616
Allowances	1,861,874	2,081,616
Pensioners Allowances	20,160	-
Housing Benefits and Allowances	266,481	264,915
Overtime Payments	550,013	385,986
Defined Benefit Plan Expense:	423,559	381,250
Current Service Cost	396,239	357,443
Interest Cost	1,191,967	1,297,627
Net Actuarial (gains)/losses recognised	(1,164,647)	(1,273,820)
Total Employee Related Costs	34,091,063	29,282,022
No advances were made to employees.		
Included in Employee Related Costs is an amount of R3 515 507 (2017: R3 287 683) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	1,012,066	986,700
Performance Bonus	154,516	186,527
Service Bonus	88,250	82,225
Car and Other Allowances	101,277	97,217
Company Contributions to UIF, Medical and Pension Funds	113,079	179,483
Total	1,469,188	1,532,152
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	947,160	880,500
Performance Bonus	180,229	167,874
Service Bonus	79,100	73,375
Car and Other Allowances	97,212	95,750
Company Contributions to UIF, Medical and Pension Funds	172,740	160,367
Total	1,476,441	1,377,866
<i>Remuneration of the Infrastructure Manager</i>		
Annual Remuneration	856,868	708,000
Performance Bonus	141,476	131,777
Service Bonus	63,750	59,000
Car and Other Allowances	98,942	183,283
Company Contributions to UIF, Medical and Pension Funds	1,884	1,877
Total	1,162,920	1,083,937
<i>Remuneration of the Chief Audit Executive</i>		
Annual Remuneration	676,676	519,268
Performance Bonus	128,615	-
Service Bonus	49,430	38,662
Car and Other Allowances	93,018	100,492
Company Contributions to UIF, Medical and Pension Funds	108,652	112,077
Total	1,056,391	770,499

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
21. EMPLOYEE RELATED COSTS (continued)		
<i>Remuneration of the Chief Corporate Services</i>		
Annual Remuneration	792,277	651,600
Performance Bonus	141,476	131,777
Service Bonus	99,333	-
Car and Other Allowances	88,533	181,395
Company Contributions to UIF, Medical and Pension Funds	128,244	119,165
Total	1,249,863	1,083,937
No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.		
22. REMUNERATION OF COUNCILLORS		
Executive Mayor	807,913	815,740
Speaker	647,531	527,383
Members of Mayoral Committee	1,819,608	1,907,820
Councillors	931,268	633,307
Total Councillors' Remuneration	4,206,320	3,884,250
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
23. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	1,827,131	1,857,383
Amortisation: Intangible Assets	5,169	5,169
Total Depreciation and Amortisation	1,832,300	1,862,552
24. IMPAIRMENT LOSSES		
<i>24.1 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	1,916,038	-
Receivables from Exchange Transactions	1,916,038	-
<i>24.2 Bad Debts Written-off</i>		
Bad Debts Written-off:	-	5,028
Receivables from Exchange Transactions	-	5,028
	-	5,028
Total Impairment Losses	1,916,038	5,028
25. REPAIRS AND MAINTENANCE		
Land and Buildings	-	29,880
Other Assets	1,000,187	195,771
Total Repairs and Maintenance	1,000,187	225,652

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26. FINANCE COSTS		
Bank Overdrafts	-	2,591
Current Borrowings	120,225	242,592
Finance Leases	1,554,021	2,127,480
Overdue Creditors	3,289	-
Settlement	-	77,857
Total Interest Paid on External Borrowings	1,677,535	2,450,520

The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2017: 5.27% per annum).

27. CONTRACTED SERVICES

Other Contracted Services	505,622	362,216
Total Contracted Services	505,622	362,216

28. GRANTS AND SUBSIDIES PAID

EPWP Projects	303,013	486,096
Renosterberg Valuations	-	1,000,000
District Wide Programs	-	157,010
L E D	3,547,080	4,370,816
Total Grants and Subsidies	3,850,093	6,013,922

29. GENERAL EXPENSES

Included in General Expenses are the following:

Advertisements	102,403	77,275
Consulting Cost	1,631,550	1,206,051
Bank Cost	66,471	67,831
Protective Clothing	41,827	4,493
Training	316,507	841,800
Audit Cost	1,166,397	1,740,178
Printing and Stationary	-	105,444
PKS Newsletter	-	54,759
Property Tax	54,764	37,157
Electricity and Water	220,325	226,869
Office Expenditure	35,357	67,494
Congress Cost	27,317	26,993
Membership Fees	547,399	566,702
Skills Development Levy	292,967	-
Audit Committee	71,609	51,287
Travel and Subsistence	2,454,933	2,067,619
Fuel and Oil	-	388,742
Cellphone & Telephone	344,940	345,679
Entertainment : Councillors	360,299	5,870
Public Entertainment	-	83,611
Postage	1,316	3,439
Legal Cost	-	30,000
Strategic Planning	-	34,969
Water Samples	213,565	263,303
Fire Fighting Equipment for Municipalities	-	982
Insurance General	226,696	539,570
Operating Lease Assets	56,999	465,383
Compensation Commissioner	161,840	146,661
Total General Expenses	8,395,480	9,450,157

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
30. GAINS / (LOSSES) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Proceeds on Sale of Assets	1,814,321	-
Assets Disposed at Carrying Value:	(1,271,157)	(371,777)
Cost of Disposed Assets	(1,881,104)	(1,768,104)
Accumulated Depreciation of Disposed Assets	609,947	1,396,327
Total Gains / Losses on Disposal of Capital Assets	543,165	(371,777)
31. CHANGE IN ACCOUNTING POLICY		
No Changes in Accounting Policies occurred during the year.		
32. CORRECTION OF ERROR		
No Correction of Errors occurred during the year.		
33. CHANGE IN ACCOUNTING ESTIMATES		
<i>33.01 Review of Residual Values and Estimated Useful Lives</i>		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2017. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(207,100)	(157,144)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	-	(46,468)
Increase / (Decrease) in Depreciation and Amortisation	(207,100)	(203,611)
Depreciation and Amortisation as previously stated	2,039,400	2,066,163
Adjustment due to Change in Accounting Estimate	(207,100)	(203,611)
Depreciation and Amortisation as per Note 22	1,832,300	1,862,552
34. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(1,054,819)	654,347
Adjustment for:		
Donations Received	-	(9,302)
Service In-kind Contributions	(1,951,874)	-
Depreciation and Amortisation	1,832,300	1,862,552
Losses / (Gains) on Disposal of Property, Plant and Equipment	(543,165)	371,777
Fair Value Adjustment on Investment Property	-	(350,000)
Contribution to Post-retirement Health Care Benefits	(657,850)	(701,377)
Contribution to Impairment Provision	-	5,028
Bad Debts Written-off	-	-
Operating surplus before working capital changes	(2,375,409)	1,833,025
Decrease/(Increase) in Receivables from Exchange Transactions	1,380,334	(571,908)
Decrease/(Increase) in VAT Receivable	240,082	(1,253,746)
Decrease/(Increase) in Operating Lease Assets	5,396	(2,951)
Increase/(Decrease) in Payables from Exchange Transactions	2,011,799	2,599,708
Increase/(Decrease) in Conditional Grants and Receipts	368,305	800,510
Cash generated by / (utilised in) Operations	1,630,507	3,404,638
35. NON-CASH INVESTING AND FINANCING TRANSACTIONS		

During the 2017 financial year, the municipality acquired equipment of R3 136 350 (2017: R2 286 700) under a finance lease. Any acquisition will be reflected in the cash flow statement over the term of the finance lease via lease repayments.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
36. FINANCING FACILITIES		
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	100,000	100,000
	<u>-</u>	<u>-</u>

37. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 12)	4,159,763	4,142,937
Used to finance Property, Plant and Equipment - at cost	(4,159,763)	(4,142,937)
Sub-total	<u>-</u>	<u>-</u>
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	<u>-</u>	<u>-</u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	2,220,039	2,220,039
Unauthorised Expenditure current year	4,377,863	-
Approved by Council or condoned	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	<u>6,597,902</u>	<u>2,220,039</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Votes exceeded:</i>	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses. Council has written off the expenditure.
Vote 2: Municipal Manager - R8 659	
Vote 3: Budget and Treasury - R1 151 284	
Vote 4: Human Resource Management - R27 576	
Vote 7: Economic Development and Planning / Development and Infrastructure - R623 505	
Vote 8: Economic Development and Planning / IDP - R2 282 910	
Vote 11: Public Safety - R283 928	

38.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	934,745	811,122
Fruitless and Wasteful Expenditure current year	3,289	123,623
Correction of Prior Year Estimate	-	-
Condoned or written off by Council	-	-
Transfer to Receivables for recovery (see Note 2)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>938,034</u>	<u>934,745</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Fruitless and Wasteful Expenditure identified was inspected and it can be categorised as follows:</i>	Council to condone expenditure.
The municipality incurred interest of R3 289 (2017: R77 857) on the account of the Auditor-General.	
This is the result of the balance outstanding at yearend, which could not be paid by the municipality due to cash flow constraints.	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)		
38.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	1,715,307	-
Irregular Expenditure current year	2,814,085	3,023,343
Irregular Expenditure current year (additionally identified)	-	1,715,306
Written off by Council	-	(3,023,343)
Transfer to Receivables for recovery (see Note 2)	-	-
Irregular Expenditure awaiting write-off	<u>4,529,392</u>	<u>1,715,307</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The Irregular Expenditure identified was inspected and it can be categorised as follows:</i>	
Original tax Clearance certificates not provided: Instance occurred whereby the municipality acquired services in excess of R15 000 from providers for which it did not have an Original Tax Certificate = R76 322 (2017: R17 700).	No disciplinary steps have been taken as no individual or group of individuals have been identified to be the guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses. Council has written off the expenditure.
Preferential procurement not followed: The municipality incurred expenditure in excess of R30 000 whereby the PPPFA stipulations and requirements were not followed = R340 751 (2017: R151 809).	
SCM process not followed: The Municipality incurred expenditure amounting to R2 101 313 (2017: R4 562 940) where the SCM process was not followed.	

Possible irregular expenditure amounting to R496 703 is still under investigation and has not been included in the note above. Details of these expenditure items are as follow:

SCM documents (MBD4) not obtained	186,464	-
Deviations not approved by delegated official	229,728	-
Lowest quotation not selected	15,821	-
Preferential procurement not followed	64,690	-
	<u>496,703</u>	<u>-</u>

The full extent of irregular expenditure is still under investigation and is currently underway, in addition to the identified irregular expenditure of R496 703.

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	500,000	470,000
Amount Paid - current year	(500,000)	(470,000)
Amount Paid - previous years	-	-
Balance Prepaid (included in Creditors)	<u>-</u>	<u>-</u>

39.2 Audit Fees

Opening Balance	1,784,685	1,247,868
Current year audit fee	1,344,751	1,971,903
Current year interest	3,289	77,857
Amount Paid - current year	(446,178)	(1,512,943)
Service In-kind benefit received	(2,217,249)	-
Balance Unpaid (included in Creditors)	<u>469,298</u>	<u>1,784,685</u>

39.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 3. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	6,482,415	5,570,849
Amount Paid - current year	(6,482,415)	(5,570,849)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

39.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	7,138,269	5,477,368
Amount Paid - current year	(7,138,269)	(5,477,368)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
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39.6 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Unauthorised, Irregular or Fruitless and Wasteful Expenditure	4	32	4
General Financial Management Functions	8	62	1
Revenue Management	8	64	2
Expenditure Management	8	65	1 & 2
Disclosures on Intergovernmental and Other Allocations	12	123	
Disclosures concerning Councillors, Directors and Officials	12	124	
Other Compulsory Disclosures	12	125	
Audit Committees	14	166	

39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the SCM stipulations in terms of the municipality's supply chain management policy were ratified by the Municipal Manager and reported to Council:

Reason	Month	Successful bidder	One quotation	Two quotations	Total
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	July 2017	Various	43,840	-	43,840
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained. An emergency case furthermore occurred, whereby procurement totalling R6 042 from CM Chemicals occurred.	August 2017	Various	43,943	-	43,943
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained. Emergency cases totalling R18 605 are also included.	September 2017	Various	96,331	-	96,331
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained. Emergency cases totalling R7 200 are also included.	October 2017	Various	71,002	-	71,002
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	November 2017	Various	85,353	-	85,353
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	December 2017	Various	9,597	-	9,597
In addition to the above, deviation for the procurement from Global Consulting (payment 21852) was identified.	December 2017	Global Consulting	-	35,587	35,587
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	January 2018	Various	40,561	-	40,561
In addition to the above, deviation for the procurement from G and E Suppliers and Services (payment 21940) was identified.	January 2018	G and E Suppliers and Services	-	194,141	194,141

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2017
R

39. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Reason	Month	Successful bidder	One quotation	Two quotations	Total
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained. Emergency cases totalling R3 186 are also included.	February 2018	Various	29,423	-	29,423
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	March 2018	Various	63,236	-	63,236
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	April 2018	Various	9,953	-	9,953
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	May 2018	Various	54,519	-	54,519
Reason for the deviations in the month are the fact that a number of exceptional cases occurred where the minimum required number of quotations could not be obtained.	June 2018	Various	59,732	-	59,732
			607,490	229,728	837,218

40. COMMITMENTS FOR EXPENDITURE

40.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Other

-	105,471
-	105,471

- Approved but Not Yet Contracted for:-

Other

-	470,000
-	470,000

Total Capital Commitments

-	575,471
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This expenditure will be financed from:

Government Grants

Own Resources

-	470,000
-	105,471
-	575,471

40.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 12.

41. FINANCIAL INSTRUMENTS

41.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Property Rental Debtors	Amortised cost	61,705	541
Shared Services	Amortised cost	747,315	2,184,284
Sundry Debtors	Amortised cost	31,793	36,322
Cash and Cash Equivalents			
Term Deposits	Amortised cost	-	-
Call Deposits	Amortised cost	3,034,073	1,855,745
Bank Balances	Amortised cost	219,986	1,330,209

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
41. FINANCIAL INSTRUMENTS (continued)			
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Property Rental Debtors	61,705	541
Receivables from Exchange Transactions	Shared Services	747,315	2,184,284
Receivables from Exchange Transactions	Sundry Debtors	31,793	36,322
Cash and Cash Equivalents	Call Deposits	3,034,073	1,855,745
Cash and Cash Equivalents	Bank Balances	219,986	1,330,209
Total Financial Assets		4,094,872	5,407,101

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	1,053,966	2,591,401
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	1,403,069	1,093,285
Payments received in Advance	Amortised cost	33,138	24,158
Performance Bonuses	Amortised cost	746,313	891,684
Staff Bonuses	Amortised cost	876,888	832,073
Advances from Road Department	Amortised cost	240,750	240,750
Other Creditors	Amortised cost	2,996,474	3,148,920
Accrued Leave	Amortised cost	1,808,537	1,696,298
Settlement	Amortised cost	-	119,242
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	526,983	1,032,941

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	1,053,966	2,591,401
Payables from Exchange Transactions	Trade Creditors	1,403,069	1,093,285
Payables from Exchange Transactions	Payments received in Advance	33,138	24,158
Payables from Exchange Transactions	Performance Bonuses	746,313	891,684
Payables from Exchange Transactions	Staff Bonuses	876,888	832,073
Payables from Exchange Transactions	Advances from Road Department	240,750	240,750
Payables from Exchange Transactions	Other Creditors	2,996,474	3,148,920
Payables from Exchange Transactions	Accrued Leave	1,808,537	1,696,298
Payables from Exchange Transactions	Settlement	-	119,242
Current Portion of Long-term Liabilities	Annuity Loans	526,983	1,032,941
Total Financial Liabilities		9,686,118	11,670,752

41.2 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2016.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 12, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
41. FINANCIAL INSTRUMENTS (continued)		
The gearing ratio at the year-end was as follows:		
Debt	4,159,763	4,142,937
Cash and Cash Equivalents	3,254,059	3,185,954
Net Debt	<u>7,413,822</u>	<u>7,328,891</u>
Equity	<u>11,396,476</u>	<u>10,341,657</u>
Net debt to equity ratio	<u>65.05%</u>	<u>70.87%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

41.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

41.4 Significant Risks

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018	2017
R	R

41. FINANCIAL INSTRUMENTS (continued)

41.5 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

41.5.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2018 would have decreased by R41 925 (2017: R6 196). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

41.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018 **2017**
R **R**

41. FINANCIAL INSTRUMENTS (continued)

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	3,025,097	2,221,147
Bank, Cash and Cash Equivalents	3,254,059	3,185,954

Maximum Credit and Interest Risk Exposure	<u>6,279,156</u>	<u>5,407,101</u>
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The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	%	%
Other Debtors:		
- Other not Classified	100%	100%

Total Credit Risk	<u>100%</u>	<u>100%</u>
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Bank and Cash Balances

ABSA Bank Ltd	3,254,059	3,185,954
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Total Bank and Cash Balances	<u>3,254,059</u>	<u>3,185,954</u>
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Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Group 1	3,025,097	2,221,147
Group 2	-	-
Group 3	-	-

Total Receivables from Exchange Transactions	<u>3,025,097</u>	<u>2,221,147</u>
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Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 36 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2018								
Non-interest Bearing			8,105,169	8,105,169	-	-	-	-
- Payables from Exchange transactions	10	0.00%	8,105,169	8,105,169	-	-	-	-
Fixed Interest Rate Instruments			642,784	321,280	321,505	-	-	-
- DBSA	12	10.00%	-	-	-	-	-	-
- Standard Bank	12	11.00%	642,784	321,280	321,505	-	-	-
Variable Interest Rate Instruments			8,173,852	757,238	757,238	1,741,648	4,917,727	-
- Canon	12	Various	-	-	-	-	-	-
- Nashua	12	Various	8,173,852	757,238	757,238	1,741,648	4,917,727	-
			16,921,806	9,183,687	1,078,743	1,741,648	4,917,727	-
30 June 2017								
Non-interest Bearing			-	-	-	-	-	-
- Payables from Exchange transactions	10	0.00%	-	-	-	-	-	-
Fixed Interest Rate Instruments			1,871,202	714,430	517,127	639,646	-	-
- DBSA	12	10.00%	591,909	394,606	197,303	-	-	-
- Standard Bank	12	11.00%	1,279,293	319,823	319,823	639,646	-	-
Variable Interest Rate Instruments			5,593,096	693,085	701,899	1,315,634	2,882,478	-
- Canon	12	Various	478,915	174,084	182,898	121,932	-	-
- Nashua	12	Various	5,114,181	519,001	519,001	1,193,702	2,882,478	-
			1,871,202	714,430	517,127	639,646	-	-

The Municipality did not have access to financing facilities at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

41.8 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018	2017
R	R

42. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the statement of financial performance of R3 515 507 (2017: R3 287 683) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

43. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

43.1 Interest of Related Parties

No relationships have been identified.

43.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

43.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No such loans existed at yearend.

43.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

43.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be Related Parties.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R

44. CONTINGENT LIABILITIES

No Contingent Liabilities existed at yearend.

45. CONTINGENT ASSETS

The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

46. IN-KIND DONATIONS AND ASSISTANCE

The Municipality did received In-kind Donations in the form of Donated Assets. The financial effect of the Donation is as follows:

Increase / (Decrease) in Property Plant and Equipment	-	7,204
(Increase) / Decrease in Donations Received	-	(9,302)
Increase / (Decrease) in Depreciation Expense	-	2,098
	<u>-</u>	<u>-</u>

No restrictions and / or conditions were attached to the donation.

47. PRIVATE PUBLIC PARTNERSHIPS

The Municipality was not a party to any Private Public Partnerships during the year under review.

48. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.

49. COMPARATIVE FIGURES

The Comparative Figures were not restated.

50. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) During January 2018 the Council adopted the 2017/18 Adjusted Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of Municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) The unspent conditional grant balance is currently cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The Municipality has begun to generate the shortfall within its own operating budget.

(vi) Due financial constraints, the Municipality is current unable to ensure short term debt is paid within the legislative deadline, as per section 65(2)(e) of the MFMA. The Municipality has prioritised outstanding payments and made the necessary arrangements with the respective third parties to ensure the debt is settled.

(vii) As at 30 June 2018, the Municipality's total liabilities exceeded its total assets by R11 396 476 (30 June 2017: R10 341 657). The Municipality's current cash reserves are not sufficient to settle all overdue outstanding short term debt.

(viii) During the current year, the Municipality incurred a net deficit of R 1054 819.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 1 July 2017	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2018
ANNUITY LOANS	R				R	R	R	R
DBSA	4,925,202	10.00%	102 850	2018/03/31	863,688	-	(863,688)	-
Standard Bank	1,403,509	11.00%		2019/07/01	990,738	-	(463,755)	526,983
Total Annuity Loans	6,328,711				1,854,426	-	(1,327,443)	526,983
CAPITAL LEASE LIABILITIES								
Canon	1,870,649	Various	Various	2016/11/01	265,170	-	(265,170)	-
Nashua	3,136,350	Various	Various	2021/09/01	2,319,305	3,136,350	(1,822,876)	3,632,779
Total Capital Lease Liabilities	5,006,999				2,584,475	3,136,350	(2,088,046)	3,632,779
TOTAL EXTERNAL LOANS	11,335,710				4,438,901	3,136,350	(3,415,489)	4,159,762

ANNUITY LOANS:

DBSA:

The annuity loan is repaid over a period of 10 (2017: 10) years, at an interest rate of 10.00% (2017: 10.00%) per annum. The annuity loan is not secured.

Standard Bank:

The annuity loan is repaid over a period of 3 years, at an interest rate of 11.00% per annum. The annuity loan is not secured.

CAPITAL LEASE LIABILITIES:

Canon:

Finance leases relate to property, plant and equipment with lease terms of 5 years (2017: 3 - 5 years). The effective interest rate on Finance Leases is between 35.00% and 40.00% (2017: 2.16% and 7.93%).

Nashua:

Finance leases relate to property, plant and equipment with lease terms of 5 years. The effective interest rate on Finance Leases is between 14.03% and 39.55%.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
Land	27,000	-	-	-	27,000	-	-	-	-	27,000
Buildings	15,071,960	-	-	-	15,071,960	7,572,847	913,295	-	8,486,142	6,585,818
	15,098,960	-	-	-	15,098,960	7,572,847	913,295	-	8,486,142	6,612,818
Leased Assets										
Office Equipment	2,644,526	3,136,350	-	(1,881,104)	3,899,772	791,624	643,603	(609,947)	825,280	3,074,492
	2,644,526	3,136,350	-	(1,881,104)	3,899,772	791,624	643,603	(609,947)	825,280	3,074,492
Other Assets										
<i>Emergency Equipment</i>										
Emergency Equipment	140,089	-	-	-	140,089	117,461	3,650	-	121,111	18,978
<i>Vehicles</i>										
Motor Vehicles	1,513,720	-	-	-	1,513,720	336,561	74,189	-	410,750	1,102,970
Trucks	663,938	-	-	-	663,938	241,823	19,344	-	261,167	402,771
Trailers	10,890	-	-	-	10,890	4,941	63	-	5,004	5,886
<i>Furniture And Fittings</i>										
Tables and desks	706,405	-	-	-	706,405	583,394	14,586	-	597,980	108,425
Furniture And Fittings	773,569	4,876	-	-	778,445	641,134	15,040	-	656,174	122,271
Chairs	421,209	-	-	-	421,209	302,351	19,819	-	322,170	99,039
<i>Office Equipment</i>										
Electronic Equipment	263,588	-	-	-	263,588	212,234	10,306	-	222,540	41,048
Air Conditioner	398,638	-	-	-	398,638	312,100	19,080	-	331,180	67,458
Computer Hardware	1,158,400	251,158	-	-	1,409,558	854,489	87,522	-	942,011	467,547
Other Office Equipment	174,800	-	-	-	174,800	146,323	5,693	-	152,016	22,784
<i>Plant And Equipment</i>										
Compressor/Generator	47,684	-	-	-	47,684	40,564	940	-	41,504	6,180
	6,272,930	256,034	-	-	6,528,964	3,793,375	270,232	-	4,063,607	2,465,357
Total	24,016,416	3,392,384	-	(1,881,104)	25,527,696	12,157,846	1,827,130	(609,947)	13,375,030	12,152,667

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2017

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R		R	R	R	R	R	R	R
Land and Buildings	1,210,000	-	-	-	1,210,000	-	-	-	-	1,210,000
	1,210,000	-	-	-	1,210,000	-	-	-	-	1,210,000

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2018

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions		Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R		R	R	R	R	R	R	R
Computer Software	397,692	-		-	397,692	388,387	5,169	-	393,556	4,136
	397,692	-		-	397,692	388,387	5,169	-	393,556	4,136
Total Asset Register	25,624,108	3,392,384		(1,881,104)	27,135,388	12,546,233	1,832,299	(609,947)	13,768,586	13,366,803

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Budget And Treasury Office	25,624,108	3,392,384	(1,881,104)	27,135,388	12,546,233	1,832,299	(609,947)	13,768,586	13,366,803
Total	25,624,108	3,392,384	(1,881,104)	27,135,388	12,546,233	1,832,299	(609,947)	13,768,586	13,366,803

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)	Description	2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)
R	R	R		R	R	R
103,056	(7,469,292)	(7,366,236)	Administration	100,714	(8,069,013)	(7,968,299)
21,933,548	(14,134,194)	7,799,354	Finance	46,199,421	(14,078,114)	32,121,307
3,466,915	(4,042,501)	(575,586)	Development and Infrastructure	-	(3,983,505)	(3,983,505)
-	(3,515,148)	(3,515,148)	Environmental Health	-	(4,017,093)	(4,017,093)
1,620,000	(2,007,238)	(387,238)	Housing	2,282,845	(2,043,453)	239,392
2,028	(4,099,885)	(4,097,857)	Internal Audit	-	(4,470,613)	(4,470,613)
3,130,719	(7,608,211)	(4,477,492)	Council Expenses	3,160,000	(8,199,750)	(5,039,750)
-	(1,865,696)	(1,865,696)	Municipal Manager	-	(1,832,657)	(1,832,657)
20,830,591	(6,263,604)	14,566,987	I D P	4,326,838	(7,965,281)	(3,638,443)
350,000	(2,427,142)	(2,077,142)	Protection Services	350,000	(2,815,158)	(2,465,158)
3,125,588	(475,190)	2,650,398	Shared Services	-	-	-
54,562,444	(53,908,100)	654,344	Total	56,419,818	(57,474,638)	(1,054,820)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2018

Description	2018										2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD												
Governance and Administration:												
Executive and Council	3,160,000	-	3,160,000	-	3,160,000	3,160,000	-	-	-	-	-	3,233,775
Budget and Treasury Office	41,187,010	860,722	42,047,732	-	42,047,732	46,199,421	-	4,151,689	9.87%	12.17%	-	21,933,548
Corporate Services	70,000	-	70,000	-	70,000	100,714	-	30,714	43.88%	43.88%	-	3,127,615
		-										
Community and Public Safety:												
Public Safety	350,000	-	350,000	-	350,000	350,000	-	-	-	-	-	350,000
Housing	720,000	-	720,000	-	720,000	2,282,845	-	1,562,845	217.06%	217.06%	-	1,620,000
Health	-	-	-	-	-	-	-	-	-	-	-	-
Economic and Environmental Services:												
Planning and Development	5,618,000	(95,000)	5,523,000	-	5,523,000	4,326,838	-	(1,196,162)	(21.66)%	(22.98)%	-	24,297,506
Total Revenue - Standard	51,105,010	765,722	51,870,732	-	51,870,732	56,419,818	-	4,549,086			-	54,562,444
EXPENDITURE - STANDARD												
Governance and Administration:												
Executive and Council	9,654,062	431,280	10,085,342	-	10,085,342	10,032,407	-	(52,935)	(0.52)%	3.92%	-	16,943,199
Budget and Treasury Office	12,335,647	591,183	12,926,830	-	12,926,830	14,078,114	-	1,151,284	8.91%	14.13%	-	14,134,194
Corporate Services	11,870,982	919,033	12,790,015	-	12,790,015	12,539,626	-	(250,389)	(1.96)%	5.63%	-	4,575,075
Community and Public Safety:												
Public Safety	2,366,756	164,474	2,531,230	-	2,531,230	2,815,158	-	283,928	11.22%	18.95%	-	2,427,142
Housing	2,618,524	(225,970)	2,392,554	-	2,392,554	2,043,453	-	(349,101)	(14.59)%	(21.96)%	-	2,007,238
Health	3,887,405	163,271	4,050,676	-	4,050,676	4,017,093	-	(33,583)	(0.83)%	3.34%	-	3,515,148
Economic and Environmental Services:												
Planning and Development	8,913,837	128,534	9,042,371	-	9,042,371	11,948,787	-	2,906,416	32.14%	34.05%	-	10,306,105
Total Expenditure - Standard	51,647,213	2,171,805	53,819,018	-	53,819,018	57,474,638	-	3,655,620			-	53,908,100
Surplus/(Deficit) for the year	(542,203)	(1,406,083)	(1,948,286)	-	(1,948,286)	(1,054,820)	-	893,466			-	654,344

**PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX E(2)**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2018

Description	2018										2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE												
Vote 1 - Mayor & Council	3,160,000	-	3,160,000	-	3,160,000	3,160,000	-	-	-	-	-	350,000
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	103,056
Vote 3 - Budget & Treasury Office	41,187,010	860,722	42,047,732	-	42,047,732	46,199,421	-	4,151,689	9.87%	12.17%	-	21,933,548
Vote 4 - Human Resources	70,000	-	70,000	-	70,000	100,714	-	30,714	43.88%	100.00%	-	3,130,719
Vote 5 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-	20,830,591
Vote 6 - Shared Services	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Development & Infrastructure	-	-	-	-	-	-	-	-	-	-	-	2,028
Vote 8 - IDP	5,618,000	(95,000)	5,523,000	-	5,523,000	4,326,838	-	(1,196,162)	(21.66)%	(22.98)%	-	3,466,915
Vote 9 - Health	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	720,000	-	720,000	-	720,000	2,282,845	-	1,562,845	217.06%	217.06%	-	1,620,000
Vote 11 - Public Safety	350,000	-	350,000	-	350,000	350,000	-	-	-	-	-	3,125,588
Total Revenue by Vote	51,105,010	765,722	51,870,732	-	51,870,732	56,419,818	-	4,549,086			-	54,562,444
EXPENDITURE BY VOTE												
Vote 1 - Mayor & Council	8,081,944	179,400	8,261,344	-	8,261,344	8,199,750	-	(61,594)	(0.75)%	1.46%	-	2,427,142
Vote 2 - Municipal Manager	1,572,118	251,880	1,823,998	-	1,823,998	1,832,657	-	8,659	0.47%	16.57%	-	7,469,292
Vote 3 - Budget & Treasury Office	12,335,647	591,183	12,926,830	-	12,926,830	14,078,114	-	1,151,284	8.91%	14.13%	-	14,134,194
Vote 4 - Human Resources	7,379,190	662,247	8,041,437	-	8,041,437	8,069,013	-	27,576	0.34%	9.35%	-	7,608,211
Vote 5 - Internal Audit	4,491,792	256,786	4,748,578	-	4,748,578	4,470,613	-	(277,965)	(5.85)%	(0.47)%	-	6,263,604
Vote 6 - Shared Services	-	-	-	-	-	-	-	-	-	-	-	1,865,696
Vote 7 - Development & Infrastructure	-	-	-	-	-	3,983,505	-	3,983,505	100.00%	100.00%	-	4,099,885
Vote 8 - IDP	8,913,837	128,534	9,042,371	-	9,042,371	7,965,281	-	(1,077,090)	(11.91)%	(10.64)%	-	4,042,501
Vote 9 - Health	3,887,405	163,271	4,050,676	-	4,050,676	4,017,093	-	(33,583)	(0.83)%	3.34%	-	3,515,148
Vote 10 - Housing	2,618,524	(225,970)	2,392,554	-	2,392,554	2,043,453	-	(349,101)	(14.59)%	(21.96)%	-	2,007,238
Vote 11 - Public Safety	2,366,756	164,474	2,531,230	-	2,531,230	2,815,158	-	283,928	11.22%	18.95%	-	475,190
Total Expenditure by Vote	51,647,213	2,171,805	53,819,018	-	53,819,018	57,474,638	-	3,655,620			-	53,908,100
Surplus/(Deficit) for the year	(542,203)	(1,406,083)	(1,948,286)	-	(1,948,286)	(1,054,820)	-	893,466			-	654,344

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(3)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Description	2018										2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source												
Government Grants and Subsidies Received	47,800,000	(95,000)	47,705,000	-	47,705,000	49,929,942	-	2,224,942	4.66%	4.46%	-	49,515,453
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-	9,302
Service In-kind Contributions	-	-	-	-	-	1,951,874	-	1,951,874	100.00%	100.00%	-	-
Rental of Facilities and Equipment	70,000	-	70,000	-	70,000	100,714	-	30,714	43.88%	43.88%	-	103,056
Interest Earned - External Investments	250,000	250,000	500,000	-	500,000	716,468	-	216,468	43.29%	186.59%	-	619,647
Other Revenue	2,985,010	610,722	3,595,732	-	3,595,732	3,177,656	-	(418,076)	(11.63)%	6.45%	-	3,964,985
Other Gains and Losses	-	-	-	-	-	-	-	-	-	-	-	350,000
Profit on Disposal of Property, Plant and Equipment	-	-	-	-	-	543,165	-	543,165	100.00%	100.00%	-	-
Total Revenue (excluding Capital Transfers & Contributions)	51,105,010	765,722	51,870,732	-	51,870,732	56,419,818	-	4,549,086			-	54,562,443
Expenditure												
Employee Related Costs	29,827,482	-	29,827,482	-	29,827,482	34,091,063	-	4,263,581	14.29%	14.29%	-	29,282,022
Remuneration of Councillors	4,237,727	(29,703)	4,208,024	-	4,208,024	4,206,320	-	(1,704)	(0.04)%	(0.74)%	-	3,884,250
Depreciation and Amortisation	(2,000,000)	-	(2,000,000)	-	(2,000,000)	1,832,300	-	3,832,300	(191.61)%	(191.61)%	-	1,862,552
Impairment Losses	-	-	-	-	-	1,916,038	-	1,916,038	100.00%	100.00%	-	5,028
Repairs and Maintenance	1,853,000	368,500	2,221,500	-	2,221,500	1,000,187	-	(1,221,313)	(54.98)%	(46.02)%	-	225,652
Finance Costs	120,000	-	120,000	-	120,000	1,677,535	-	1,557,535	1297.95%	1297.95%	-	2,450,520
Contracted Services	2,462,000	(664,210)	1,797,790	-	1,797,790	505,622	-	(1,292,168)	(71.88)%	(79.46)%	-	362,216
Grants and Subsidies Paid	-	-	-	-	-	3,850,093	-	3,850,093	100.00%	100.00%	-	6,013,922
General Expenses	15,558,502	2,085,720	17,644,222	-	17,644,222	8,395,480	-	(9,248,742)	(52.42)%	(46.04)%	-	9,450,157
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	371,777
Total Expenditure	52,058,711	1,760,307	53,819,018	-	53,819,018	57,474,637	-	3,655,619			-	53,908,096
Surplus/(Deficit) for the Year	(953,701)	(994,585)	(1,948,286)	-	(1,948,286)	(1,054,819)	-	893,467			-	654,347

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2018

Description	2018										2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE												
Multi-year Expenditure												
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	-	-	-
Single-year Expenditure												
Vote 1 - Emergency and Disaster Management	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Support and Social Services	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	3,392,383	-	3,392,383	100.00%	100.00%	-	2,294,444
Vote 4 - Council Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - IDP	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Municipal Manager	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Internal Audit	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Development ant Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Health	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Shared Service	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Single-year	-	-	-	-	-	3,392,383	-	3,392,383			-	2,294,444
Total Capital Expenditure - Vote	-	-	-	-	-	3,392,383	-	3,392,383			-	2,294,444
CAPITAL EXPENDITURE - STANDARD												
Governance and Administration:												
Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-
Budget and Treasury Office	-	-	-	-	-	3,392,383	-	3,392,383	100.00%	100.00%	-	2,294,444
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
Community and Public Safety:												
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Economic and Environmental Services:												
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	-	-	-	-	-	3,392,383	-	3,392,383			-	2,294,444
FUNDED BY:												
National Government	-	-	-	-	-	-	-	-	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	3,136,350	-	3,136,350	100.00%	100.00%	-	-
Internally Generated Funds	-	-	-	-	-	256,033	-	256,033	100.00%	100.00%	-	2,294,444
Total Capital Funding	-	-	-	-	-	3,392,383	-	3,392,383			-	2,294,444

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX E(5)

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

Description	2018							2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Government - Operating	47,800,000	-	47,800,000	47,800,000	50,298,247	2,498,247	5.23%	5.23%	50,315,963
Government - Capital	-	-	-	-	-	-	-	-	-
Interest	250,000	-	250,000	250,000	716,468	466,468	186.59%	186.59%	619,647
Other Receipts	2,985,010	-	2,985,010	2,985,010	2,757,042	(227,968)	(7.64)%	(100.00)%	2,195,320
Payments									
Suppliers and Employees	-	-	-	-	(52,141,251)	(52,141,251)	(100.00)%	(100.00)%	(47,275,776)
Finance Charges	-	-	-	-	-	-	-	-	(2,450,520)
Transfers and Grants	-	-	-	-	-	-	-	-	-
NET CASH FROM / (USED) OPERATING ACTIVITIES	51,035,010	-	51,035,010	51,035,010	1,630,506	(49,404,504)			3,404,634
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	-	-	(100.00)%	(100.00)%	-
Payments									
Capital Assets	-	-	-	-	(256,033)	(256,033)	(100.00)%	(100.00)%	(2,294,444)
NET CASH FROM / (USED) INVESTING ACTIVITIES	-	-	-	-	(256,033)	(256,033)			(2,294,444)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	3,632,780	3,632,780	-	-	2,286,700
Payments									
Loans repaid	-	-	-	-	(4,939,150)	(4,939,150)	(100.00)%	(100.00)%	(761,146)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	(1,306,370)	(1,306,370)			1,525,554
NET INCREASE / (DECREASE) IN CASH HELD	51,035,010	-	51,035,010	51,035,010	68,103	(50,966,907)			2,635,744
Cash / Cash Equivalents at the Year begin:	524,802	-	524,802	524,802	3,185,954	2,661,152	507.08%	507.08%	550,208
Cash / Cash Equivalents at the Year end:	51,559,812	-	51,559,812	51,559,812	3,254,059	(48,305,753)	(93.69)%	(93.69)%	3,185,954

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Total Repayments	Net Grant	Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*)	Reason for Non-compliance
			Total	Total	Total	Total	Total		Yes / No	
Equitable Share	National Treasury	-	39,861,400	(39,861,400)	-	-	-	N/a	Yes	N/a
Housing Accreditation	COGSTHA	-	2,282,845	(2,282,845)	-	-	-	N/a	Yes	N/a
Health Subsidy	Provincial	165,533	-	(165,533)	-	-	-	N/a	Yes	N/a
EPWP	National Treasury	427,259	1,000,000	(797,867)	(426,400)	202,992	-	N/a	Yes	N/a
Financial Management (FMG)	National Treasury	-	1,250,000	(1,250,000)	-	-	-	N/a	Yes	N/a
Shared Services	Provincial	-	-	-	-	-	-	N/a	Yes	N/a
Department of Roads	Provincial	-	848,355	(848,355)	-	-	-	N/a	Yes	N/a
Project Hopetown	Provincial	465,202	-	(465,202)	-	(0)	-	N/a	Yes	N/a
DPSA Grant	Provincial	48,080	1,615,000	(525,971)	-	1,137,108	-	N/a	Yes	N/a
NEAR	Provincial	1,274,130	350,000	(350,000)	-	1,274,130	-	N/a	Yes	N/a
Electrification Programme	Provincial	898	-	-	-	898	-	N/a	Yes	N/a
Cleaning Project	Provincial	-	-	-	-	-	-	N/a	Yes	N/a
Renosterberg Valuations	Provincial	-	-	-	-	-	-	N/a	Yes	N/a
RAMS Grant	Provincial	-	3,003,000	(3,003,000)	-	-	-	N/a	Yes	N/a
EPWP Renosterberg	Provincial	-	514,047	(379,768)	-	134,279	-	N/a	Yes	N/a
Total Grants and Subsidies Received		2,381,102	50,724,647	(49,929,942)	(426,400)	2,749,408	-			

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2018

Incumbent	Basic Salaries	Bonuses	Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R
Mayor					
MT Kibi	795,913	-	12,000	-	807,913
Speaker					
NL Hermans	636,731	-	10,800	-	647,531
Executive Committee					
UR Itumeleng	596,936	-	9,600	-	606,536
TA Sintu	596,936	-	9,600	-	606,536
GL Nkumbi	596,936	-	9,600	-	606,536
Councillors					
H Marais	251,877	-	-	-	251,877
J Grobbelaar	251,877	-	-	-	251,877
AM Metebus	251,877	-	-	-	251,877
SL Billie	16,031	-	-	-	16,031
J Hoffman	16,031	-	-	-	16,031
JEJ Hoorne	16,031	-	-	-	16,031
ME Bitterbos	16,031	-	-	-	16,031
JH George	2,521	-	-	-	2,521
LC van Niekerk	16,031	-	-	-	16,031
JT Yawa	16,031	-	-	-	16,031
S Swartling	16,031	-	-	-	16,031
JH Vorster	13,360	-	-	-	13,360
SE Humphries	16,031	-	-	-	16,031
N Batties	16,031	-	-	-	16,031
CC Jantjies	2,370	-	-	-	2,370
PJ McKlein	13,104	-	-	-	13,104
Total for Councillors	4,154,719	-	51,600	-	4,206,319
Municipal Manager					
RE Pieterse	1,012,066	242,766	101,277	113,079	1,469,187
Chief Financial Officer					
BF James	947,160	259,329	97,212	172,740	1,476,441
Manager: Infrastructure					
HP Greeff	856,868	205,226	98,942	1,884	1,162,920
Manager: Chief Corporate Services					
TA Loko	792,277	240,809	88,533	128,244	1,249,862
Manager: Office of the Executive Mayor					
MK Mfazwe	462,731	36,865	88,200	128,387	716,183
Manager: Chief Audit Executive					
R Sors	676,676	178,045	93,018	108,652	1,056,392
Communication Manager					
BA Bosch	437,028	36,865	87,000	99,948	660,841
Total for Senior Managers	5,184,806	1,199,906	654,182	752,932	7,791,826
Total for Management	9,339,525	1,199,906	705,782	752,932	11,998,145

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2017

Incumbent	Basic Salaries	Bonuses	Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R
Mayor					
MT Kibi	721,782	-	11,161	-	732,943
JZ Lolwana (previous)	81,507	-	1,290	-	82,797
Speaker					
NL Hermans	518,383	-	9,000	-	527,383
MT Kibi (previous)	-	-	-	-	-
Executive Committee					
UR Itumeleng	555,713	-	9,032	-	564,745
TA Sintu	555,713	-	9,032	-	564,745
GL Nkumbi	532,709	-	8,000	-	540,709
Councillors					
H Marais	213,052	-	-	-	213,052
J Grobbelaar	237,620	-	-	-	237,620
AM Metebus	213,052	-	-	-	213,052
SL Billie	13,013	-	-	-	13,013
J Hoffman	13,864	-	-	-	13,864
JEJ Hoorne	13,013	-	-	-	13,013
ME Bitterbos	14,577	-	-	-	14,577
JH George	14,577	-	-	-	14,577
LC van Niekerk	14,577	-	-	-	14,577
JT Yawa	13,013	-	-	-	13,013
S Swartling	13,013	-	-	-	13,013
JH Vorster	13,013	-	-	-	13,013
SE Humphries	13,013	-	-	-	13,013
N Batties	13,013	-	-	-	13,013
H de Villiers (previous)	24,568	-	-	-	24,568
NS Thomas (previous)	1,564	-	-	-	1,564
WJ du Plessis (previous)	1,564	-	-	-	1,564
A Fritz (previous)	1,564	-	-	-	1,564
DP Jason (previous)	1,564	-	-	-	1,564
CC Jantjies (previous)	1,564	-	-	-	1,564
PN Signeur (previous)	24,568	-	-	-	24,568
FM van Wyk (previous)	1,564	-	-	-	1,564
Total for Councillors	3,836,734	-	47,516	-	3,884,250
Municipal Manager					
RE Pieterse	986,700	268,752	97,217	179,483	1,532,152
Chief Financial Officer					
BF James	880,500	241,249	95,750	160,367	1,377,866
Manager: Infrastructure					
HP Greeff	708,000	190,777	183,283	1,877	1,083,937
Manager: Chief Corporate Services					
TA Loko	651,600	131,777	181,395	119,165	1,083,937
Manager: Office of the Executive Mayor					
MK Mfazwe	408,844	33,535	88,200	117,068	647,647
Manager: Chief Audit Executive					
R Sors	519,268	38,662	100,492	112,077	770,499
Communication Manager					
BA Bosch	397,698	33,535	87,000	91,225	609,458
Total for Senior Managers	4,552,610	938,287	833,337	781,262	7,105,496
Total for Management	8,389,344	938,287	880,853	781,262	10,989,746

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2018	2017	
1. FINANCIAL POSITION						
A. Asset Management / Utilisation						
1.	Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure Taxation Expense Total Capital Expenditure	5.57% 57,474,637 3,392,383	4.08% 53,908,096 2,294,444	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets.
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE, Investment Property & Intangible Impairment PPE at Carrying Value IP at Carrying Value Intangible Assets at Carrying Value	0.00% - 12,152,667 1,210,000 4,137	0.00% - 11,858,570 1,210,000 9,306	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure PPE at Carrying Value Investment Property at Carrying Value	7.48% 1,000,187 1,210,000	1.73% 225,652 11,858,570 1,210,000	As the Municipality is a District Municipality, it does not invest in Infrastructure Assets and the repair / maintenance thereof.
B. Debtors Management						
1.	Collection Rate	95%	Gross Debtors Closing Balance Gross Debtors Opening Balance Bad Debts Written-off Billed Revenue	8.55% 2,993,304 2,184,825 1,916,038 2,979,360	88.38% 2,184,825 1,807,911 5,028 3,287,464	In the previous year the Municipality did not provide for debtors. In the current year, a significant portion was provided for.
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%	Consumer Debtors Bad Debts Written-off Consumer Debtors Current Bad Debt Provision	0.00% - 1,916,038	0.00% 5,028 -	
3.	Net Debtors Days	30 Days	Gross Debtors Bad Debts Provision Billed Revenue	132 Days 2,993,304 1,916,038 2,979,360	243 Days 2,184,825 - 3,287,464	In the previous year the Municipality did not provide for debtors. In the current year, a significant portion was provided for.
C. Liquidity Management						
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	Cash and Cash Equivalents Unspent Conditional Grants Overdraft Short-term Investments Total Annual Operational Expenditure	0 Months 3,254,059 2,749,406 - - 57,474,637	0 Months 3,185,954 2,381,101 - - 53,908,096	The Municipality ensures that all debt is paid within the 30 day requirement as per the MFMA.
2.	Current Ratio	1.5 - 2:1	Current Assets Current Liabilities	0.31 4,106,636 13,040,644	0.41 5,412,498 13,050,578	The unfavourable ratio is due to the current portion of the Retirement Benefit Liabilities.
C. Liability Management						
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	1.59% 1,677,535 (761,146) 57,474,637 -	3.13% 2,450,520 (761,146) 53,908,096 -	
2.	Debt (Total Borrowings) / Revenue	45%	Total Debt Total Operating Revenue Operational Conditional Grants	60.55% 4,159,763 56,419,818 49,550,173	65.66% 4,142,937 54,562,443 48,252,782	The unfavourable ratio is due to additions, which was financed through a finance lease.
C. Sustainability						
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	100.00% 3,254,059 - - - (11,396,476) - - - - (11,396,476)	100.00% 3,185,954 - - - (10,341,657) - - - - (10,341,657)	
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1.	Net Operating Surplus Margin	= or > 0%	Total Operating Revenue Depreciation - Revalued Portion Total Operating Expenditure Taxation Expense	-1.87% 56,419,818 - 57,474,637 -	1.20% 54,562,443 - 53,908,096 -	In the previous year the Municipality did not provide for debtors. In the current year, a significant portion was provided for.
2.	Net Surplus / Deficit Electricity	0% - 15%	Total Electricity Revenue Total Electricity Expenditure	0.00% - -	0.00% - -	The Municipality is a District Municipality and the ratio is therefore not applicable.
3.	Net Surplus / Deficit Water	= or > 0%	Total Water Revenue Total Water Expenditure	0.00% - -	0.00% - -	The Municipality is a District Municipality and the ratio is therefore not applicable.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2018	2017	
4.	Net Surplus / Deficit Refuse	= or > 0%	Total Refuse Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Refuse Expenditure	-	-	
5.	Net Surplus / Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Waste Water Revenue	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Total Sanitation and Waste Water Expenditure	-	-	
B. Distribution Losses						
1.	Electricity Distribution Losses (Percentage)	7% - 10%	Number of Units Purchased and/or Generated	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Units Sold	-	-	
2.	Water Distribution Losses (Percentage)	15% - 30%	Number of Kilolitres Purchased and/or Purified	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Kilolitres Sold	-	-	
C. Revenue Management						
1.	Growth in Number of Active Consumer Accounts	None	Number of Active Debtors Accounts (Previous)	0.00%	0.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
			Number of Active Debtors Accounts (Current)	-	-	
2.	Revenue Growth (%)	= CPI	CPI	3.40%	6.80%	Due to less local municipalities using the internal audit services provided by the Municipality.
			Total Revenue (Previous)	6.60%	5.50%	
			Total Revenue (Current)	54,562,443	51,089,785	
3.	Revenue Growth (%) - Excluding Capital Grants	= CPI	CPI	3.40%	6.80%	Due to less local municipalities using the internal audit services provided by the Municipality.
			Total Revenue, excluding Capital Grants (Previous)	6.60%	5.50%	
			Total Revenue, excluding Capital Grants (Current)	54,562,443	51,089,785	
D. Expenditure Management						
1.	Creditors Payment Period (Trade Creditors)	30 Days	Trade Creditors	52 Days	40 Days	The Municipality has an arrangement with the Auditor-General by which it is repaying its outstanding debt.
			Contracted Services	1,403,069	1,093,285	
			Repairs and Maintenance	505,622	362,216	
			General Expenses	1,000,187	225,652	
			Bulk Purchases	8,395,480	9,450,157	
			Capital Credit Purchases	-	-	
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure	12.52%	5.84%	Due to the increase in the Unauthorised expenditure. Funds are received for projects which were not budgeted for.
			Total Operating Expenditure	7,195,237	3,146,966	
			Taxation Expense	57,474,637	53,908,096	
3.	Remuneration as % of Total Operating Expenditure	25% - 40%	Employee / Personnel Related Cost	66.63%	61.52%	As the Municipality is a District Municipality, the Employee Related Costs represent the majority of its Operating Expenditure due to the nature of service provided.
			Councillors Remuneration	34,091,063	29,282,022	
			Total Operating Expenditure	4,206,320	3,884,250	
			Taxation Expense	57,474,637	53,908,096	
4.	Contracted Services % of Total Operating Expenditure	2% - 5%	Contracted Services	0.88%	0.67%	
			Total Operating Expenditure	505,622	362,216	
			Taxation Expense	57,474,637	53,908,096	
E. Grant Dependency						
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None	Internally Generated Funds	100.00%	100.00%	
			Borrowings	(240,397)	(290,033)	
			Total Capital Expenditure	3,632,780	2,584,477	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None	Internally Generated Funds	-7.09%	-12.64%	Due to the material decrease in the Municipality's cash reserves, it had to finance its capital needs through the use of finance leases.
			Total Capital Expenditure	(240,397)	(290,033)	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None	Total Revenue	11.50%	9.23%	
			Government Grant and Subsidies	56,419,818	54,562,443	
			Public Contributions and Donations	49,929,942	49,515,453	
			Capital Grants	-	9,302	

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018

Ratio			Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
					2018	2017	
3. BUDGET IMPLEMENTATION							
A. Efficiency							
1.	Capital Expenditure Implementation Indicator	Budget	95% - 100%		0.00%	20858.58%	In the current year, R3 136 350 of the total additions were financed through a finance lease, which resulted in the unfavourable ratio. Only R256 033 was actual spend by the Municipality.
				Actual Capital Expenditure	3,392,383	2,294,444	
				Budgeted Capital Expenditure	-	11,000	
2.	Operating Expenditure Implementation Indicator	Budget	95% - 100%		106.79%	96.87%	In the previous year the Municipality did not provide for debtors. In the current year, a significant portion was provided for.
				Actual Operating Expenditure	57,474,637	53,908,096	
				Budgeted Operating Expenditure	53,819,018	55,651,591	
3.	Operating Revenue Implementation Indicator	Budget	95% - 100%		108.77%	103.19%	Less revenue are being generated than budgeted for, due to grants not being utilised as quickly as possible.
				Actual Operating Revenue	56,419,818	54,562,443	
				Budgeted Operating Revenue	51,870,732	52,877,722	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator		95% - 100%		100.00%	100.00%	The Municipality is a District Municipality and the ratio is therefore not applicable.
				Actual Service Charges and Property Rates Revenue	0	0	
				Budgeted Service Charges and Property Rates Revenue	0	0	
Interpretation of Results:							
<div><div></div> The green colour indicates that the result is within the norm and is acceptable.</div> <div><div></div> The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.</div> <div><div></div> Data should be captured in the blue coloured cell to calculate a ratio.</div> <div><div>#</div> In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.</div>							